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COLLEGE OF BUSINESS

The Outlook

Rumors and Reparations — Muddling Farm Legislation — Will Business Improvement Continue?—Growing Influence of Radicals—The Market Prospect

AFTER what appeared to be authentic statements concerning the prospective plan for "financing Europe" or relieving Germany through the flotation of a tremendous loan, largely in the United States, the rumors have once more been stigmatized as a canard. Meantime, however, they had served a purpose in bringing about temporary advances of exchange and in the prices of some stocks and bonds. Who was benefited by these fluctuations it would be hard to say. What is certain is that such reports, unfounded and baseless as they have in this case turned out to be, are most regrettable.

This is only the latest of successive rumors of a kind which have apparently been spread abroad from some source for the purpose of influencing public opinion or for that of acting as "feelers." How they originate and gain currency in the way they do is an interesting matter of speculation. The popular view (of which most public men are devotees)—that it is the newspapers and magazines which originate and spread such reports—cannot be accepted for a moment. That is not the way in which responsible publications are conducted. Reports of this kind originate somewhere, and are given at least the appearance of authority; otherwise they would never be accepted even for casual circulation as "rumors."

In spite of the talk which has been rolled about like a sweet morsel upon the tongues of politicians for years past, concerning publicity in international affairs or "open covenants openly arrived at," it may well be doubted whether international negotiation and diplomacy ever was more secret than it is today. Because of the fact that conditions are more complex and the public consequently less able to understand them, it would seem as if there were a lower grade of intelligence and comprehension today than ever before, so far as this particular class of questions is concerned. There is need of a greater degree of education and publicity in these matters than hitherto, but there is less of it actually available.

How injurious to the community as a whole it is to have unfounded reports concerning great international transactions set in circulation from any source, only to be promptly denied, must be obvious even to the man who is only casually familiar with investment and business conditions. Such rumors play into the hands of speculators and not only hurt bona fide interests, but also tend to create a pessimistic and cynical attitude in the popular mind toward the whole question of international relations and the possibility of getting it satisfactorily settled. This in itself makes the problem of settling it infinitely harder than it otherwise would be and tends to impair confidence in a material way.

The time has come when there should be a much greater degree of frankness regarding the whole question of foreign relations. No small part of the evil which grew out of the Treaty of Versailles was due to the fact that the real truth concerning it was not known at the time when it was being framed and came out only gradually in later years. Indeed, there is perhaps no one, even today, who feels entirely certain of his knowledge concerning the whole history of that historic

document. This situation ought not to be repeated, but is being regularly renewed and even aggravated. The effect of it is to bring about a growth of mutual suspicion in many countries.

As for the financial aspects of the present international situation, they are more than vital. Securities and exchange are more and more influenced by the prospects of satisfactory diplomatic arrangements. They would profit greatly in stability and hence in public confidence if the real facts could be reliably made known as they develop through the evolution of our relationships with foreign countries. Disclosure that no small part of the recent discussion originated with the proposals or efforts of a private organization of business men does not palliate the apparent deception to which the public at large has been subject. If anything, it increases the responsibility, since it was clearly the duty of the Government to make plain to the nation that our officials are not involved in the plans said to be on foot.

When shall we ever reach a point at which we shall be able to count upon regular and trustworthy information concerning the progress of our foreign policy? Such a situation has long been demanded by the interests of sound politics; it is now urgently required by those of sound and safe finance and investment.

* * *

LOOSE CREDIT DEVELOPMENTS

UNFORTUNATELY the developments of the past month in Washington have seemed to point in the direction of loose credit as the result of legislative or administrative action. Some dangerous bills providing for a very broad extension of the rediscount privilege in favor of farm paper are now pending before the Senate Banking and Currency Committee, and are there apparently receiving a degree of favor which seems to indicate probable enactment into law in some form. Meantime, the Federal Reserve Board has extended the time limit for the maturity of agricultural paper of certain classes, and has thereby relaxed the stringency of its attitude with respect to farm accommodations parallel to those used in export trade. Both now permit a six-months' use of the credit of Federal Reserve banks.

The provisions contained in the bills pending in the Senate contemplate not only Government contribution to capital, but also Government aid of various other kinds, so that there is at least a danger at the present moment that legislation will be enacted which may result in a combined subsidy based on governmental and banking assistance in favor of agriculture. Nothing much more disastrous could be imagined. And yet, so clumsily are most of the bills now pending framed that should they be put upon the statute books as they now stand, it may well be questioned whether they would work at all. This in itself might give rise to a real and serious danger, inasmuch as it might result in continuous and more intense dissatisfaction on the part of farmers who would then feel that even the legislation which had been presented to them with a promise of actual relief in a tangible shape had proved ineffectual, thereby driving them toward the advocacy of even more drastic measures to safeguard their interests.

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BUSINESS 1922-23

AT the end of 1922, a brief summary of the year's developments and the prospects of the coming year is not out of place. There has been real and steady progress toward sounder conditions during the past twelve months. The situation is now better than at the end of 1921. Employment is far larger, most manufacturing lines are much more active, security prices, in spite of the recent reaction, are much better in most cases, and conditions generally more prosperous and favorable.

Exceptions, of course, are found in the case of some classes in the community. The farmer has not succeeded in getting his commodities at a price which corresponds to the lowered price of his own product and his outlook is proportionately less satisfactory. There are similar cases of maladjustment in some other parts of the business mechanism. But, on the whole, the business situation, in spite of such sporadic defects or evils, is improved.

This, however, is quite a different thing from stating that the present improvement will steadily continue. Whether the situation today is at a peak or not, and whether accordingly recession may be expected, is a subject that has been steadily discussed for weeks past, and which still arouses difference of opinion. Elsewhere in this issue, reasons are assigned for the belief that there is no reason to anticipate material advance above existing levels, but a good deal of reason for believing that decline will occur even though it may not go far in the near future. All indications, both those of domestic business, of banking, and of foreign trade, look forward to the year 1923 as a time of exceptional uncertainty with possibilities of change which perhaps surpass those of any recent period. In these circumstances, the positive forecast of steady and rapid expansion of trade, business, and general prosperity can only be misleading.

THE INVESTMENT OUTLOOK

IN thus estimating the prospect with regard to business, an estimate has impliedly and incidentally been afforded with regard to investment probabilities. Unquestionably our banking and finance is sound today. Our money rates are low as compared with the rest of the world, and not too high for any reasonable business purpose. Our investment level is higher than we had any right to believe a few months ago it probably would be. Can we maintain it? That depends on a good many factors, chief among which is the outlook for business already discussed. But, in addition to this, is the question whether, even with business on a fairly satisfactory basis, the management of our banking and public finance is likely to be of a nature which can be expected to result in inflating prices and values as in the past has often been the case.

There are some indications at Washington that a danger of this kind is by no means improbable. Reference has already been made to one of them—the growth of ideas of loose credit. If these should gain headway, inflation of prices for commodities might easily result and such inflation might spread to the stock market. This would do nobody any good, not even those who technically profited by the higher prices since these higher prices would be expressed only in a money that had depreciated in value. If, on the other hand, the administration should not succeed in cutting expenses, and as a consequence there should be a continuous deficit resulting in the necessity for more taxation, the effect might be extremely injurious to many classes of business which are already feeling the burden of Federal expense most heavily.

* * *

END OF THE SUBSIDY BILL?

IF it betrue that the continuous "sidetracking" of the subsidy measure means that the legislative proposal has been pretty definitely put out of the question for this session, the situation is one that must be regarded with approval by all except those who might have profited directly from it. Without any regard to abstract prejudices against subsidies, it is true that this particular bill was not of a desirable sort. In the opinion of the best observers it would not materially have contributed to the sale of the great fleet now in possession of the Shipping Board, notwithstanding that such sale was the primary object alleged by many for the adoption of the subsidy policy. Whether it would have enabled American vessels to run, assuming the continuance of present unfavorable navigation laws, is a disputed point, but there is at least some reason to question the statement that this result would have been realized. In the present state of public finance, any measure that threatens still further to burden the Treasury was to be challenged, not merely because of its own individual effect but because of the implication it carried with reference to other possible measures of like sort. If a subsidy policy was to be adhered to the present was not a good time nor was the proposed measure the form that was best adapted to bring about the results desired.

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PRICES AND EARNINGS NOT ADJUSTED

FINAL year-end reports for various concerns and especially earnings statements for railroads, so far as data are available, are showing that the relationships between prices, wages and costs in industry are as yet far from having been adjusted. Of course, the most striking example of the difficulty is seen in agriculture, where the farmer is receiving for his products very much less proportionately, as compared with 1913, than he has to pay for his manufactured goods. It seems to be clear, however, that, as things are going, many of the larger industrial enterprises cannot make large profits without a readjustment of prices, wages and costs that will put them into a more favorable position to do business. This is a factor which is well worthy to be borne in mind in studying business prospects for another year. Expansion of industry seldom occurs in those lines in which profits afford only a bare margin, but conditions must reach a point that yields a worthwhile income before capital can be expected to apply itself much more broadly in those lines.

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MARKET PROSPECT

DEVELOPMENTS of the past two weeks have tended to confirm the indications expressed in the Market Prospect in our issue of December 23d; that is to say, European conditions are, if possible, more uncertain, and business conditions, while highly irregular, show a further tendency to slow down in quite a few lines. Events during the first two weeks of the new year are likely to be far-reaching.

As to the security markets, we advise a waiting attitude on investments for the time being. The stock market has apparently about completed its rebound from the November low, but although there is considerable strength in a number of issues we can see no reason to change our previously expressed opinion that the main trend is downward. Saturday, December 30, 1922.

A Restored Europe or *A World in Chaos*

Which?

By Senator WM. E. BORAH

As Interviewed by Theodore M. Knappen

> "Every sort of internal helpful legislation we may undertake is useless or at least superficial, so long as this fundamental evil of a panicky if not insolvent world persists. Tariffs, rural credits, ship subsidies, good or bad in themselves, are futile so long as the prosperity they are intended to promote or conserve is vanishing through the devouring gap of failing world markets."

SENATOR BORAH has a genius for saying the word that puts over what statesmen and the public have been thinking about but have hesitated to utter. When the question of reducing naval armaments was milling round and getting nowhere he came out at the right moment with a declaration that the United States ought to take the initiative—and it did. Recently he startled the Administration in its economic drifting policy with respect to European affairs by declaring that the United States should take the initiative in the solution of the economic problem that confronts the world as a result of the world war—and the outlook is now favorable to the summoning of an international economic conference in which the United States may be expected to take the lead, just as it did in the arms limitation conference. The Senator did not consider the "arms pact" an entangling alliance, and he does not consider that what might be called economic intervention in Europe is in any way a return to the principles of the League of Nations, ratification of which was so vigorously opposed by him.

Favors International Agreements

"I have always favored international agreements concerning economic matters," said the Senator when I raised the entanglement point at the beginning of our talk. "To my mind there is a sharp distinction between political pacts or alliances and economic conferences. It is as proper for a government to promote the commercial well being of its citizens by foreign as by domestic arrangements.

"But would it be possible for this country to intervene economically in Europe without becoming involved politically?" I asked.

"I do not think that we shall have any difficulty in that respect if we stand pat on our economic objective."

"But do you not suggest that as a condition of our commercial and financial cooperation Europe must compose its political conflicts?"

"Yes, but that is a very different matter from our becoming a party to treaties or compacts relating to intra-European affairs. We find here a deadlock between European nations and if we can be helpful to break the deadlock and find an amount satisfactory to both France and Germany we have in effect acted as arbitrators. I believe a situation often becomes such that a new face in a conference creates a better outlook at once.

"It is true that we are involved in the European economic débâcle through self-interest of the most appealing character, but our interests will not be protected by any action we may take in that direction unless the political situation is likely to be such that it will not neutralize any potential improvement in the economic situation. I make no concealment of the judgment that nothing in the world is more important to the well-being of our internal affairs at this time than the economic stabilization of the world, particularly of Europe. The commercial and industrial distress of the old lands not only destroys their ability to trade with us and purchase our surplus products, for which there is no other market—so that the agony of the old world is felt throughout the new—but it actually tends toward the distintegration of our civilization, which is primarily supported on an economic base. Every sort of internal helpful legislation we may undertake is useless or at least superficial so long as this fundamental evil of a panicky if not an insolvent world persists. Tariffs, rural credits, ship subsidies, good or bad in themselves, are futile so long as the prosperity they are intended to promote or conserve is vanishing through the devouring gap of failing world markets.

Hon. Wm. E. Borah

> "We can, I believe, settle this reparations blight by taking the lead in facing its solution on sound business and financial lines. If Europe will agree with us by treaty to stop packing guns the ends of the economic conference will be promoted and their realization substantially guaranteed. If it is not prepared to talk physical and also moral disarmament at the same time it talks economic relief, the sooner we know it the better."

"The cry of distress from the producers of this country—the producers of agricultural commodities—is more piteous than at any time since the war. It proclaims the present activity of the cities and the shops as the deceptive veneer of a rotten condition. It forecasts commercial misery to come to all of us, only second in intensity to that Europe now undergoes. Why vote subsidies, build ships and capitalize agriculture when there are no cargoes for the ships and no markets for produce? Moreover, we find now that with land armaments unrestricted by any agreement, we have not perhaps made the naval agreement broad enough to prevent the revival of competitive warship building in another direction. Unlimited armies and a new naval rivalry mean more weight on a sinking world. There could be nothing more destructive of all hope of recovery in economic affairs than a reopening of a competitive race in armaments.

How Can Economic Peace Be Had?

"The death's head at every prosperity festival in this country today is hopeless Europe."

"But, after all, what is it practicable for us to do to bring economic peace to Europe?" was the question interpolated at this point.

"Get Europe back to work, and thereby get back to full time work, production and expanding markets for ourselves."

"But how?"

"In detail the answer would be manifold, but in chief it is: Settle the vexed problem of the German reparations."

"But that has been settled at least half a dozen times in the last four years."

"It has never been settled at any time, because there has never been a real coming together of minds—the real essence of any kind of an agreement—at any of the so-called settlements. No person or nation a party to those settlements ever felt when the signatures were affixed that a real lasting agreement had been made. In their hearts the Allies and Germany knew that they were merely modes of procrastination—the putting off of the final decision on a dangerous subject—one loaded with international political dynamite."

"Why wouldn't it have been a good thing, then, if we had been in the League of Nations and had a representative on the present reparations commission instead of a mere observer?"

"It is only a case of another name. I am informed that the only difference between our observer and the admitted members of the Reparations Commission is that he is called an observer and they are not. The Reparations Commission is a child of the war. What we need now is an agency born of the troubles of peace to deal with the reparations question.

U. S. Should Take Initiative

"I believe that this nation should take the bull by the horns and initiate an international conference to effect a real and final settlement of the reparations problem. We have a right and a duty to do so. The reparations dispute has upset everything. We intervened with arms when we thought it our duty, and certainly none should object if we intervene with a conference when we think it our duty. I concede that such a conference might break up in a row and accomplish nothing, but the chance of saving the world is worth the risk of discomfiture."

"But why is the reparations question so fundamental?"

"Because every other international economic relation hinges on it directly or indirectly. The reparations amount was much too great for practice, however just it may have been as punitive damages. Great as it was nobody knew or knows yet with subsequent reductions how much it is. For the Germans it meant that the harder they worked the more they had to pay, and that the goal of full payment receded with every step toward it. Under such conditions they are not keen to pay; nor can they pay either in total or in instalments according to the rule.

"Theory is one thing and fact another. What the Germans could or should pay at the maximum and what can be collected with the best results to everybody are two different propositions. Now while the reparations debt remains one that is purposely or involuntarily dishonored all Europe is upset because so much depends on the outcome of such a colossal international transaction. France cannot work out her fiscal plans because they were shaped with calculations based on reparations payments. The same is true of Belgium. England seems to have concluded to ignore the reparations in making up her budgets, but her trade with Germany is in a deplorable condition because Germany is drowning in a flood of money—paper money; and she can't have anything else with the hopeless reparations liability menacing everybody and everything. The consequent exchange muddle has made all international business hazardous, and depreciating currencies destroy or impair domestic commerce.

"Germany is today a very weak and inefficient unit in the economic whole, to which her full functioning is so important. According to the degree and intimacy of her trade relations with them, all other nations suffer; and their disadvantage reacts on Germany and each other—and our old friend the vicious circle appears again. The net result is that Europe is not at work, is not making wealth—at the same time that its excess of governmental charges bear heavier than ever on what production there is.

"Now I believe that if you can put Germany to work with a will and with a reasonable prospect of reaping some substantial reward for her toil, instead of working only to starve, as at present, you will break the vicious circle and replace it with a beneficent circle that will embrace the whole world."

"Do you really think that Germany will ever abide by any reparations amount in good faith? Will she not always be coming back to ask for better terms?"

"I hold that nobody has any right to question Germany's good faith in the event of a reasonable amount and endurable terms being imposed."

"How much do you think Germany can and will pay?"

"I believe that she can stand twelve to fifteen billions of dollars. I think that is what Bernard M. Baruch and President Wilson's other economic advisors at Paris considered a reasonable amount."

"Supposing an amount should be determined by an economic conference that Germany would concede to be reasonable in the total, would it not be necessary for the first payments to be financed by a loan in this country?"

"I consider that it may be possible to arrange a settlement that will not necessitate financing from this country. But if such assistance should be necessary, I see no reason why private interests here should not be freely permitted to make a German loan."

"But would American investors put their good money into any kind of a German government obligation that was not in some way guaranteed by our government?"

"I believe they would. Loans are a matter of confidence, and I feel that if an international economic conference, fathered by the United States, should have a happy ending, American investors would not hesitate to put their money into German bonds, or allies' bonds, or whatever form the financing might take. However, I would not favor any sort of indorsement of such obligations by our government. That would entangle us for sure."

"But are we not entangled in this problem anyway?"

"That's what we are talking about, isn't it? But we need not drag our government into responsibility in any way for the payment of reparations sums. As a government we do not participate in their benefits, and we have no occasion to incur their responsibilities.

"We can, I believe settle this reparations blight by taking the lead in facing its solution on sound business and financial lines. Our moral participation will be enough, and we can and should couple the economic conference with a political agreement that would impose further limitations on land and sea armaments. If Europe will agree with us by treaty to stop packing guns the ends of the economic conference will be promoted and their realization substantially guaranteed. If it is not prepared to talk physical and also moral disarmament at the same time it talks economic relief, the sooner we know it the better. If the case is hopeless we shall then have to take measures to preserve ourselves as far as possible from the maladies of Europe."

What's Ahead for Business?

A Review of Underlying Influences in Trade and Industry and What the Immediate Outlook Is

By E. D. KING

A SURVEY of present business conditions indicates two things: one is that the domestic situation has improved materially during the past eighteen months, and the other is that there is very considerable uncertainty over the outlook for this year. The writer, as a practical observer of business conditions, has recently had the opportunity of discussing the situation with many business men, most of them men of fairly substantial interests. They are hard-headed, not given to much theorizing or dreaming, and their views spring out of experience, a good deal of which has been very expensive. Though they are not well-known, their views are possibly of greater practical significance than those of national leaders in industry because they represent the views of the rank and file, which after all does most of the country's business and which bears most of its burdens.

The individuals approached by the writer on the question of the business outlook were curiously uniform in declearing that while business conditions had improved in 1922, they did not "take much stock in all this talk about prosperity," and when pressed for an explanation specified such homely facts as inability to make collections promptly, difficulties with their employees who lately had shown a distinct tendency to ask higher wages, the hostile attitude of housewives and other common consumers toward high prices, and the fact that the banks were loath to extend credit as freely as they had during the war.

Not Apparent

Now, these are all things which do not appear in cold business statistics. They represent conditions which *underly* the general situation. They are not apparent, and perhaps that is why they miss the observation of even some of the most skilled economists who are mainly interested in banking and other statistics. Yet, it is a question whether the difficulties which the average business man meets in the day's business does not give a real clue to the situation.

The salient feature of business to-day is its highly competitive nature. There is no overwhelming demand for goods such as to place *all* sellers in an advantageous position. There is, of course, a demand and, in comparison with 1921, a fairly large one, but one should not miss the point that comparisons with that year do not give a truely accurate picture of the present situation considering the extreme depression which existed during that time. A much better contrast would be with 1920, with which the present time suffers greatly by comparison. To put it simply, we seem to be about halfway between the great activity of early 1920 and the great inactivity of 1921. This perhaps gives a sufficiently clear picture of the situation.

The question now is: Is business going to return to the general prosperity of early 1920 or is it going to relapse to the unfortunate and depressed condition which existed pretty generally in 1921?

In order to answer that question it is necessary to analyze the causes which led to prosperity in early 1920 and later on to depression in 1921, and ascertain from an analysis of present conditions which of the two situations we seem to be approaching.

What Business Men Are Complaining of Today

1. Slow Collections
2. Reluctance of consumers to pay higher prices
3. Difficulties in the way of securing large credits
4. High labor costs

The reason for the unusual activity in business directly after the war and continuing until the middle of 1920, was principally the fact that in every conceivable way we had to feed and supply a world which had been starved out of many essentials during the four war years. Incidental to this situation, but of almost equal influence, was the fact that during the war American business men and individuals had become very prosperous and had attained large amounts of funds wherewith to speculate. These funds made it possible to speculate on a large scale, and therefore gave a buoyant character to all markets.

Now the same situation no longer exists, at least not to the same extent. It is true that large parts of the world are desperately in need of what we have to sell them, but inasmuch as payment for such goods is out of the question in many countries, the net result has been to lower the foreign demand for our goods with a consequent effect on our own industrial life. Even the man on the street seems to realize that a "busted" Europe is not much of a customer. When the war ceased, the extent of Europe's "bustedness" was not realized and we were willing to sell on credit. The Europeans, of course, were not slow to take advantage of our unconscious generosity. To-day, however, everybody understands what the foreign situation is and we are not particularly willing to extend credit to insolvent debtors. **Since, therefore, the same situation which provoked the 1919-1920 boom is no longer existent and cannot conceivably come into existence without a complete overhauling of the entire European economic situation, it must be apparent that we are not precisely on the verge of any such prosperity as that seen in the early post-war years.**

Depression Ahead?

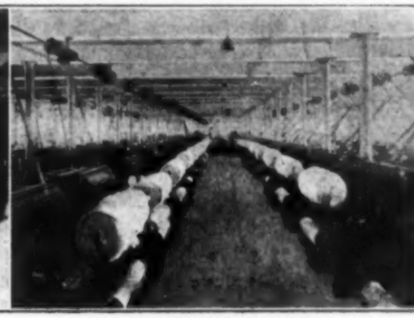
As to whether we are to revert to the extreme depression of 1921, that also can be answered in the negative. The principal reason for the fatal collapse of business in 1921 was the extreme speculation in commodities, securities, real estate, etc., which had preceded it. Credits had been pyramided to a dangerously high point and this situation required drastic correction. In our own country, the Federal Reserve took a hand, shut off credits to a great degree, practically forced a decline in prices and the laws of economics did the rest. Now we do not face such a situation to-day. In the first place, there has been no excessive speculation in commodities, and though prices are above normal they are, on the whole, quite within reason. In the second place, the credit situation is sound and the banking interests will not be forced to take the drastic steps which they took in 1921.

Thus we have to take two negative answers in regard to our two original questions. Does that mean, then, that business is to be fixed on the present basis, that it is to go on indefinitely at half-speed? Not necessarily. Business can have its ebb and flow within moderate limits. It should fluctuate around 1922 figures, though possibly with a slightly downward tendency owing to the fact that so many of our domestic needs have been satisfied in part during the previous year. We should see business continuing on about the present basis with the usual qualifications for seasonal fluctuations. We should continue to have great competition with the best results obtained by those able to cut prices. Prices should not advance much beyond present levels. A fair amount of activity should be seen in the basic industries. Retailers will proba-

(*Please turn to page* 448)

FROM NATURE'S BOUNTY
A typical cotton-picking scene in the Southern fields

THE PICKERS
Machines that eliminate much foreign matter after the raw cotton's entrance to the mills



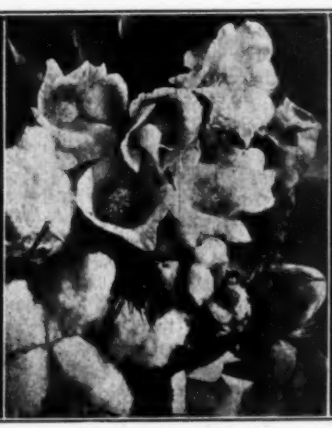
COTTON CARDS
Which comb out the tiny filaments into some sort of order

Glimpses of the Cotton-Textile Industry

DRAWING FRAMES
Where the white strands are stretched and several ropes combined in one

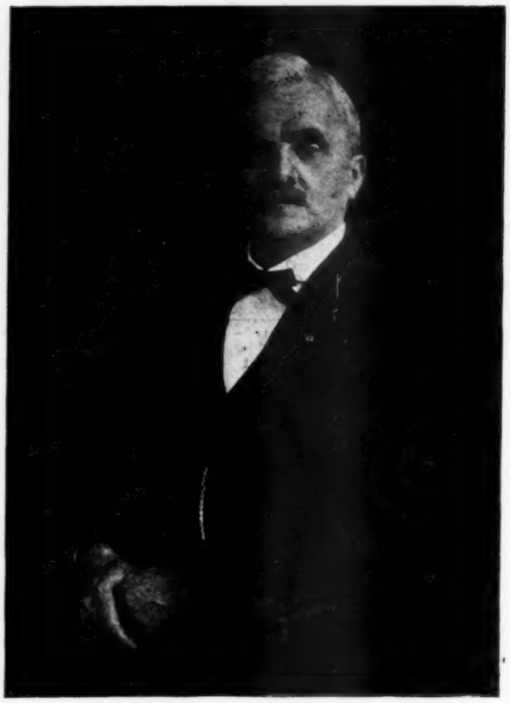
AUTOMATIC LOOMS
Capable of weaving the thousands of fabrics demanded by mankind

THE CLOTH ROOM
Where the product is folded, inspected and prepared for shipment



TWO PIONEERS
B. B. and R. Knight, pioneers in the cotton-textile industry and builders of one of its best-known links

THE American public, particularly the investing class, seems to be under the illusion that the proposed rural credits measure in Washington, if passed, will correct the unfavorable position of the farming population. In order that our readers may gain a true picture of the actual situation, we have asked Senator Norris, one of the most influential statesmen in Washington, to give us his version of what has to be done before the farmer can be restored to adequate purchasing power. It will be noticed that, while not minimizing the importance of extensive rural credits, Senator Norris lays greater stress on the importance of lowering transportation rates and on making the Government a middleman in crops. Inasmuch as this will probably be the line of legislative effort in the near future, the importance of Senator Norris' statement cannot be overestimated.



HON. GEORGE W. NORRIS

The Root of National Distress

The Impairment of Farm Purchasing Power—High Transportation Rates a Barrier to Agricultural Prosperity—What Has to Be Done to Correct the Situation?

By HON. GEORGE W. NORRIS

Chairman U. S. Committee on Agriculture and Forestry

——An Interview——

YOU tell me that thoughtful investors are becoming more and more interested in agricultural economics. I am not surprised at that, but rather that they have taken so long to stir up their interest in that subject. The economics of an 80 billion dollar industry, even in this country of billions on all sides of us, is the biggest thing in sight, and it is as plain as a tall elevator on a level prairie that, if its commercial mechanism is not in good running order, all the rest of the wealth-making and distributing machine will soon be headed for the junk heap.

Psychology of the Farmers

A large part of the world is hungry and underfed, but out in Washington state they are contemplating throwing 10,000 barrels of prime apples into the Columbia River; in my state you can't give potatoes away—at the primary markets—and in Minnesota they didn't bother to dig them. Worse than the loss of food in a hungry world, is the crushing despair that has settled over our rural population in extensive regions and the consequent destruction of its morale. The conditions surrounding and overshadowing the producers of our country are horrible, outrageous. I have sat in the Senate Committee on Agriculture and Forestry and listened to the tragic recital of the present state of our farmers until I wanted to rush from the room to get away from the agony of it. The reciters of this tragedy of the West, Middle West and Northwest were mostly bankers —country bankers, who came to tell us the terrible truth because they see themselves on the verge of the ruin that is pulling down their customers.

We were told of eighteen farmers committing suicide in one county after having gone insane from their intolerable sufferings. After years of mortgaging and pledging their all, through one bad year after another, they came into a good crop this season and found that the returns from it did not meet the cost of production. With all that they must buy controlled in price by trusts and combinations to such an extent that all exchange was unfair and with unstinted hard work rewarded by large crops that brought them only nearer to the debacle, their reason collapsed and they sought escape from life's problems by escaping life itself.

Is it not high time that investors and financiers stopped playing with their money in speculation long enough to consider the condition of its source? Plethoric stock dividends of manufacturing and trading corporations, tax-dodging dividends, do not promote stability when the biggest industry of all staggers toward ruin.

There has been so much talk about the farm bloc and about the various measures proposed and passed in Congress for the relief of the farmer, that the city public probably has the impression that agriculture has been or soon will be saved. The hopeful thing about the present situation is not so much what has been done, as the sympathetic and helpful state of mind the non-farming people are coming to take. Let us see how much has been actually accomplished.

Back in 1916 Congress established the Farm Loan Board and set up the creative machinery of the twelve Federal Land Banks. That rural mortgage loan system has done a lot of good. It has put out about $600,000,000 to about 200,000 farmers at low and fair rates of interest, and it has come pretty near to compelling other farm mortgage agencies to give the rest of the farmers equally good terms. It has brought the borrowing farmer and the

lending investor together with almost a minimum of middle operations, with the result that the farmer gets cheap money and the investor an excellent investment with very little absorbed by middleman.

Skipping war legislation as ephemeral, the next thing of any importance that Congress did to help solve the problem of rural economics was to revive the War Finance Corporation for the purpose of financing export trade and marketing farm products in the commodity crash of 1921. This was an important step and a helpful one, but it helped the banker first and the farmer second, except for those farmers who were in co-operative associations that were strong enough to deal directly with the corporation.

But the War Finance Corporation was merely an emergency agency. As yet we have done nothing to set up a permanent credit institution that will provide farmers with the kind of intermediate-time credit that the nature of their business demands. To be sure the Federal Reserve Banks may discount six-months agricultural paper, but the period of the farm turnover is more like nine months to three years. It seems almost certain, though, that Congress will before long meet the intermediate credit need in some fashion, though there is danger that it may not go to the root of the matter and fail to bring the farmer and the investor close enough together.

It is not worth while to mention such excellent but comparatively trivial things as the increase of the working capital of the farm loan banks and the increase in the interest rate of farm loan debentures. Substantially that tells the tale of what the Government actually has done to improve and facilitate rural financing. It is not much of a tale for the most powerful government on earth to tell of its management of its greatest industry.

But assuming that the Government will do about all that it should in the matter of rural credit amelioration, the greater part of the task establishing agriculture on a parity with the rest of the economic life of the country remains to be done. In saying this, I do not wish in any way to belittle the corrective legislation that the present Congress has adopted in regard to such matters as cooperative marketing associations, packer control, grain futures trading, etc. They are important but they are not basic. I am frank to say that there is such a thing as overdoing the facilitation of credits.

It is doing the farmer no real service to make it easy for him to load himself with debts that can only be paid by his bankruptcy. Our committee was shown eight or ten pages of foreclosure notices in the newspapers of a single rural county. What good did those loans do the farmers when they came to the final, destroying liquidation? A turn-over credit system is of no use without good collateral in the way of liquid assets, and how on earth can you have them, on the whole, in an industry that is losing money every year? What the farmer needs first is a business condition in which he can profitably use credit. If agriculture is to stay in the red ink forever, it would be better to close it out now rather than to scuttle it slowly and agonizingly with more credit. Don't mistake me. None knows better than I that an adequate system of rural productive, operating and orderly marketing financing is imperative. I am merely pointing out that it is not good business for lender or borrower to put out loans that are not beneficial to both. We must keep the horse before the cart. We must make agriculture intrinsically profitable before credit can be of real use to it.

To bring about that desirable end two big jobs must be done:

Transportation of commodities must be made cheaper and better.

Marketing machinery must be so simplified as to cut a large section out of the spread between the farmer's selling price and his buying price.

The farm outlook is hopeless so long as transportation and marketing take about three-fourths of what the consumer pays. That is why I attach so much importance to my bill for the creation of a Farmers' and Consumers' Financing Corporation. It is a new way to regulate the trusts and combinations that are dealing in farm products—to regulate them by giving them the competition of a hundred-million dollar corporation capitalized from the public funds and empowered to issue as much as $500,000,000 of bonds.

Government as Middleman

Without going into wearisome detail I will merely explain that this government corporation would be a gigantic middleman, who would stand between the producers and the consumers with the object of benefiting both. Today the producer is selling at a loss while the consumer is paying exorbitant prices. The farmer gets too little; the consumer pays too much. All our regulatory laws have failed to curb extortion. Let's try a little government competition. The trusts have thrived on repressive legislation; now let us give them a competitor that will make them compete to survive.

With its capital, with its ability to buy, to store, to loan and to sell, even on time, it seems to me that such a corporation would be able to restore the normal relation between producer and consumer in an entirely natural and effective manner. It might be so quickly successful that it would not require borrowed capital, but if it did I am sure investors would be as eager to get its debentures as they are to take farm-loan bonds.

It is not my intention to put any man out of a legitimate business. I do not expect that the proposed corporation will have a monopoly of the business of buying and selling agricultural products. It will be like the War Finance Corporation in that the mere fact that it is ready to do business will make it unnecessary for it to do any in many, perhaps the majority of, instances. The new corporation ought to be large enough to compete with any opposition, but it would leave plenty of room. We ought not to borrow trouble concerning what might happen to some competitors. If, as is the case, we have in our country a condition where the producer is being ruined and the consumer is likewise suffering by reason of the enormous prices he has to pay for the necessaries of life why should we hesitate to adopt a general remedy even if somebody should be crowded out of business here and there. I hope that no man will suffer from the proposed measure, but we must frankly face the problem that confronts us and find the remedy or fall into the ruin that awaits on the other hand.

Solving the Transportation Problem

Then we must face the transportation problem. We must take the water out of railway capitalization—reduce it. The railways must be more efficiently managed. The lame-duck railways ought not to be coddled, and saddled onto the efficient railways. The railway failure ought to meet the same fate that any commercial failure meets. Generally speaking, the railways should be consolidated into a few corporations, if not into one (*Please turn to p. 462*)

California growers dumping fruit into the roadway rather than market them at a loss

The Grand Canyon of Wall Street

The Truth About Wall Street

What Is Wall Street and What Does It Mean to the Average Citizen?

By HOWARD MINGOS

IF there is one common opinion about something or anything in these United States upon which the vast majority of us are agreed, it is that there is something the matter with Wall Street. We may have our individual ideas concerning the influences at work in labor, politics and religion. Business may be good, bad or indifferent. One can find an argument on any of those topics. But having threshed out all the smaller, minor and incidental problems that enter into the daily life of the country, we invariably arrive on common ground. We come to Wall Street. There our voices rise in unison. Throughout the length and breadth of the land, from pulpit, press and the political rostrum we have heard it characterized thus and so. Always there is raised against it the voice of condemnation. Something, it seems, has always been the matter with it. Barely have we heard one constructive word of criticism.

The average person likes to hear the blame placed on something for which he is neither responsible nor remotely connected. And the average person in the United States is secure in his own opinion that he is not in any way connected with Wall Street. He may be of the earth, earthy; but never, no never, not even if he is in finance or business, is he identified with those beasts of prey so commonly the target for scathing and denunciatory speech from the lecture platform. Not even if he is convicted of practicing illegal and predatory wiles on his fellow-creatures, does the average man plead guilty of being identified with Wall Street. His neighbors do that for him. Let the common adventurer in big business or finance be shown up for the rank amateur he is and he gains a certain quality of fame because it is intimated that he is practicing Wall Street habits; nay more, learned his tactics in the Street. And Wall Street bears the blame.

That is one of the ailments. Wall Street draws the fire of condemnation whenever there is condemnation to be had.

What is Wall Street?

First, however, let us have no misunderstanding about the identity of Wall Street. Briefly let us explain that the two words popularly spoken mean financial New York. Inasmuch as financial New York is part and parcel of the large business institutions in New York, we must consider them together, financial and business, also industrial. So it is that in mentioning Wall Street, we are merely naming an almost limitless headquarters for the established and responsible mercantile, industrial and financial life of America; we were about to say the world. For since the war, much of the development projects either in trade or industry have involved American money or brains.

We said that Wall Street is another name for the headquarters of American business. To elucidate: Any American corporation with a nation-wide business finds it advantageous to have headquarters in financial New York. Business houses and the national industries have found it equally profitable. Public utilities which extend beyond the confines of one or two communities establish headquarters or executive offices in New York. Some of them are four miles from Wall Street. Nevertheless, they are of it, if not in it. While we would not care to waste time checking up figures, it is a safe guess that a majority of the so-called Wall Street executives today arrived there as part of, let us say, provincial organizations. That or they had graduated from the small town or city and had been invited to devote their energies along similar lines, where, at the head of a national organization, their ability would be more useful and at the same time more remunerative to themselves. In discussing the Wall Street executive, whether he spends his working hours in Wall Street, Pine or Broadway, or whether his office lies in the shadow of Old Trinity or at Columbus Circle, we must remember that he invariably is the boy from some old home town.

He has brougth to Wall Street the mental products of a small town training. Assuming that the average small town executive is fundamentally honest and that he looks upon his fellows as human beings to be dealt with and not trimmed, isn't it fair to assume that by the time he has matured sufficiently to enter Wall Street, he is by the very nature of his training fair-minded, honest and inclined toward honorable dealing? We think so.

Starting with those two facts in mind, that Wall Street is that part of financial and commercial New York whose business is conducted on a national scale and that the executives thereof may reasonably be expected to possess average moral sense and business intelligence, let us enter into the pros and cons of the question and possibly chronicle some of the things that are the matter with Wall Street—and in passing explode certain theories regarding it.

The New York Stock Exchange not long ago published a book of such huge proportions that only a trained economist with a historical bent could have the courage to read it, and then only on an extended leave of absence. This book, which is really a very creditable work, is authority for the statement that the first organized market for financial trading was established in 1792 when groups of New Yorkers foregathered under the old Buttonwood tree in Wall Street and traded in Federal securities. The limited market involved some $80,000,000 if we remember correctly; but considering the size of the infant country and its finances at the time,

not forgetting that its vast resources were practically untapped, the trading was very risk indeed; and the small investor was hard put to find a method whereby he could realize an income. No doubt he, too, railed at the rich traders who apparently kept a tight fist on the money-making transactions and were able to exercise some sort of control over the state of the market. And even then, the historian tells us, undesirable traders entered the market. Their activities must have been objectionable, their methods crude; for it was not long before the traders of good repute organized themselves into an exclusive group, with rules of business conduct and regulations for enforcing them and punishing violators.

How Wall Street Developed

Thereafter Wall Street and the New York Stock Exchange flourished with the country. Other cities became financial centers of their own sections. One after the other, as the resources of the country were developed, they entered Wall Street, whether the funds came from the Wall Street of New York, Chicago, Pittsburgh, St. Louis or San Francisco. All of our great national resources have been developed by capital from without. All of our national utilities were financed from the same source. If New York's Wall Street was responsible for most of this development, then it was because New York was the first to start it, New York was the financial gateway from the Old World. New York's financiers were first on the ground. In other words, they had first set their own house in order and therefore were better able to look about for larger things. It was this that enabled them to visualize the great possibilities. It was their vision and persistency that put it over. Business ethics might not have been the same as they are today. It was not so long ago that the "public be damned" policy was generally accepted wherever trading was done. Nevertheless the country was developed past the wildest dreams of the maddest visionary. Moreover, Wall Street, so called, put it over. In one way or another capital was collected and "those fellows in Wall Street" used it as a mason uses mortar, putting it here and there in large or small quantities, wherever and when necessity urged or occasion justified. That is one thing in Wall Street's favor. Times have not changed the methods of financing an invention or developing a property. Conditions have changed. Wall Street has increased in relative importance to the growth of the country which has grown only by means of utilities and resources developed. Today Wall Street is representative of the country—and the fellows in Wall Street are representative of the entire citizenship.

An Instance of High Finance

Here is an illustration of high finance. A friend of ours called on an official of one of the largest banks in America recently. He found him sorting over a pile of papers on his desk. They were notes in various amounts; and had been placed

THIS is the first of a short series of articles on various phases of national life as related to finance and industry. The next article will be "The Truth About Labor." In following issues will appear articles on "The Truth About Capital" and "The Truth About Business."

with that bank by a small bank in South Carolina as security for a loan of one hundred thousand dollars. One of the notes had been made out by Paul and Sally Smith in amount of $104, which they promised to pay the Southern bank in a certain period and as a guarantee of which they placed their mule as security. A Wall Street institution, therefore, was actually lending $104 to a Carolina planter, to tide him over until his cotton crop matured; and the security was a mule a thousand miles from New York.

Six months ago a successful inventor in a Mid-Western city closed up his plant temporarily because he had no contracts for the article he built. He was solvent; but realized that if he wanted to develop his market he must reorganize and go into production with sufficient funds to pay for raw material and labor and then advertise and market the product. He consulted several local persons and others, among them a New Yorker, who happened to be a professional man and not identified with any institution.

Said the inventor:

"I am up against a stiff problem. I have a factory; my skilled employees are laid off. I have a remarkable commodity after I make it. I need $100,000. I can do one of two things or both. I can borrow money here in town or I can go to New York and get it there.

"If I borrow the money here in town where I am known, everybody I approach will want to sit in on the board of directors and tell me how to run the business. If I go into New York and succeed in getting the money, I can come back and run my business to suit myself."

"Why hesitate? You apparently think New York is the place to get your backing?"

"Oh, I know that; but this is what I'm afraid of. You never can trust those fel-

(*Please turn to page* 468)

Are We Prepared for the Radical Onslaught?

The Threat of Socialist Propaganda

By JOHN W. BARTON
Vice-President, Metropolitan Nat'l Bank of Minneapolis, Minn.

THIS is a question which will give anybody who "Stops, Looks and Listens" something to think about. After he has pondered over what he gathers from observation of the daily actions of average individuals and attempts to analyze their opinions on finances, government affairs and their regard for government officials, he will ask himself: "Where do these people who have had the free use of the best school system in the world and who are citizens of a country which can proudly be proclaimed in every port on earth, get the basis for such warped, unsound and prejudiced ideas about economics and all things pertaining to government?"

Many are ready to criticize but few are ready to help.

I am afraid the average person merely looks for the opportunity to accuse some successful individual, some government official, of graft—to charge some government department or government-controlled institution with the responsibility for his not being successful in a recent business venture or failure to receive an expected increase in salary, instead of turning on the spot-light of self-analysis in an endeavor to locate the trouble nearer home.

Such people, many in number among our citizenship, jealous of the successes of others and desiring to excuse themselves, are, unfortunately, easily appealed to by the demagogues with a flow of insanely socialistic gab. Making surprising charges, offering no remedies for his hearers' ills, the burden of his song is that every one who is successful is a crook. Advocating more pay and less hours, seniority rights regardless of ability, lower taxes and reduced cost of living and the host of fallacies familiar to every agitator, the only definite concrete suggestion made to attain the economically impossible is to put the successful out of government and install the unsuccessful.

It is man's universal impulse—this attempt to excuse himself for his errors and failures by finding fault with others. It is the universal "alibi" which, feeding on itself, leads to class hatred and prejudice.

But the promotion of these human weaknesses, the translation of these inadequacies into action and prejudice cannot be tolerated as a cohesive force to hinder the orderly progress of the greatest nation on earth. "They Shall Not Pass." Truth, not baseless accusations; Success, not Failure, must survive or else the nation will fall.

A critical situation exists.

The Success has for years been too busy with his affairs to combat the false accusations made concerning him and the government by the growing army of idle, unsuccessful, agitated and

(*Please turn to page* 471)

Foreign Trade and Securities

How Our Readers Would Unsnarl the Foreign Debt Tangle

The Situation and the Remedy as Seen by Clear-Visioned and Independent Analysts

IN response to an invitation extended a few weeks ago, the Editorial Department has received a great many letters from readers, dealing with the grave International Debt Situation and offering possible solutions of the problems presented.

A few of the more striking of these communications are presented in part herewith. We regret that the exigencies of space prevent our publishing these solutions verbatim.

IN a work that is always interesting, in and of itself, the task of editing THE MAGAZINE OF WALL STREET becomes doubly so when attention is diverted to communications from our readers. Without wishing to be guilty of fulsome praise or flattery, we think it may be truly said that the readers of this publication combine the virtues of balanced intelligence and education to a remarkable degree. And so, their letters, on all the manifold subjects which they delight in discussing, are always engrossing, even to those to whom "copy-reading" is a twice-told tale.

Particularly striking have been the written solutions of the world debt crisis received in this office since such solutions were invited by an editorial announcement of some weeks ago. In statements extending from a few lines to one of almost four thousand words, our readers have proven a prolific source of suggestion. More than that, their suggestions have, in the great majority of cases, seemed exceedingly practical; and in the few cases where practicality was lacking, there was always the suggestion of some arresting new line of thought.

Take the letter received from Reader John J. Wilson, of Oneida, N. Y. Mr. Wilson believes that a certain particular commodity should be selected for exclusive export into this country from each one of the nations involved: the commodity to represent, so far as practicable, a national industry in each case, and to be one whose delivery in mass upon our own domestic market would not react to the disadvantage of our own productive machine. Says Mr. Wilson:

"France used to export the greater portion of her wine production to this country before Prohibition went into effect here. If we could repeal the Volstead law, and thus enable France to resume her wine exports to the United States, her revenues would be greatly increased and her task of liquidating the existing indebtedness would be far lighter."

Mr. Wilson contends that this move would be doubly beneficial, in that it would re-create the brewing and allied industries in our own country:

"Revise our laws so as to make the manufacture of alcoholic beverages once more legal and we will immediately put to work approximately four millions of people, practically eliminating the unemployment situation."

"I am not a prohibitionist," the writer concludes, "neither am I a wet. My suggestion is based solely on the belief that the (debt) problem cannot be satisfactorily solved by any other means."

Time for Another "Louisiana Purchase"

On the heels of the letter quoted above comes a striking communication from Reader Karl Feilcke, of Indianapolis, Ind. This letter, we fully believe, merits reproduction in its entirety. It reads:

"I have read with great interest the article 'Can They Pay Their Debts to Us?', but I do not agree with the conclusions of the writer. He states that there are only three ways in which international obligations can be settled: namely, by payments in gold, goods or securities. This holds true for all obligations arising from ordinary commercial transactions; but in exceptional cases—and the European debt is certainly one, there is yet another way which has been frequently used in the past. A glance at the history of this country will make this clear.

"A great deal of the territory now occupied by the United States has been acquired by peaceful purchase rather than by war or aggression. All the states bordering west on the Mississippi, and those in the Missouri valley, were bought from France in 1803, when she needed money to rehabilitate her finances after the great revolution. The state of Florida was purchased from Spain in 1819, and the southern part of Arizona from Mexico in 1853. The territory of Alaska was bought from Russia in 1867, when she was financially embarrassed, and only a few years ago the Virgin Islands were acquired from Denmark. By taking advantage of political and economic conditions and acting at the psychological moment, American statesmen have succeeded in gradually eliminating the European powers from the North American continent.

"The conditions arising from the world war now offer another oportunity for a similar transaction, which could not only complete this cleaning up process for the whole American hemisphere, but offer at the same time at least a partial solution of the debt problem. England and France owe this country about eight billion dollars, and have apparently no means to liquidate their debts; for up to this time only England has been able to pay a part of the interest due. For economic reasons it would not even be desirable to let them pay, for as this country owns already the greater part of the available gold, they would have to pay mostly in goods, and this is bound to have a detrimental effect on our industries. However, both countries own still considerable areas as colonies on the American continent, and a considerable part of their obligations would be paid off by

"NO CANCELLATION!"

By Mary T. Stephens
Harrison, N. J.

"If one or more individuals borrowed money from me, promising to pay interest at stated times, and the principal at a certain time, naturally I would expect them to keep their agreement. If, in the meantime, it developed that they found themselves unable to meet their obligation, I should expect them to come forward and say so honestly, and ask for an extension of time. This, if I felt they were in earnest, I would grant.

"But if, then, instead of economizing and saving in every possible way, . . . they were to go on spending money extravagantly and unnecessarily, I would have a heart-to-heart talk with them and tell them that *I wanted my money*. . . .

selling these possessions, some of them to the United States directly and others to the Central and South American republics which are adjacent to them and should logically have them.

"The Bermuda and Bahama Islands, the Antilles, Barbados and Trinidad should go to the United States. They have an enormous strategic value for the defense of the Panama Canal. Jamaica might be taken over by Cuba. British Honduras could be sold to one of the Central American republics. The Falkland Islands and South Georgia should go to Argentine, and British and French Guiana might be added to Brazil.

"A transaction of this kind would not only eliminate most of the European powers from the American hemisphere and reduce the possibility of future troubles, but also bring the various American republics closer together, for only through the power and influence of the United States would the South American republics be able to follow our example and buy up the holdings of European nations on their continent.

"Just before the World War, this country bought the insignificant Virgin Islands from Denmark for $25,000,000, and figuring on that basis, the British and French colonies referred to should have a value of at least two billions of dollars. Their sale, therefore, would materially reduce the obligations of England and France, and the shifting of these debts to South American countries, which can pay them off in their natural products (coffee, rubber, etc.) without hurting our industries, will give Europe a breathing spell and a chance to get on its feet again.

"The time has come for another Louisiana purchase, and there can be no question that such a transaction would meet with the approval of the American peoples. It would probably hurt the pride of the English and French, but paying a debt always hurts, and this offers the only means by which these countries could rebuild financially, and cut down the heavy taxes with which they are at present burdened."

WHY NOT AN "EXCHANGE STAMP"?

By J. B. HAMILTON

Philadelphia, Pa.

My idea is that the citizens of the country indebted to us shall pay their country's debts temporarily, in the end collecting from their government.

First. Governments owing us shall settle their indebtedness by giving us long term bonds, say 100 years, at a low rate of interest, say 2%, or no interest at all if advisable.

Second. All bills-of-lading for shipments to said countries shall have a stamp attached to the value of 1% of the merchandise exported, which amount shall be added to the invoice covering same, the seller agreeing with the buyer that this amount shall be returned immediately in the form of one of the bonds of the country to which the goods are exported, and which has been paid to our government in settlement of their country's indebtedness.

Third. Settlement with the buyer can be made by our Diplomatic and Consular Service, located in said foreign country, by delivery of bonds to the amount of stamps that may be delivered to them from time to time.

When the bonds have all been paid out there will be no further stamps to purchase. This is not a stamp tax nor an export tax in any manner as the amount expended is returned in full. Call it an Exchange Stamp. The rate of charge is so small that no one will object to it.

Should the governments wish to repudicate the bonds when due, they will only be owing their own people, who are the rightful ones to pay their government's indebtedness, and should the government pay, it will mean a handsome profit to someone's great grand-children.

If the foreign governments owing us would accept this plan it would mean that business would start up immediately with them and they would be on their feet in a very short time, and our bills would be paid quickly.

This proposition applies with equal force to debts owing to foreign governments, and should Germany accept such a proposition, it is easy to conceive that Europe would recover industrially in a very short time.

Solution of Problem Dependent on Elementary Military and Naval Establishments

From Mr. Robert Saunders Dowst (who has written many articles for the MAGAZINE in the past) comes an impressive letter which, by a process of elimination, arrives at the following solution of the debt problem:

". . . The United States can await the psychological moment (which will be when the various peoples of Europe tire of jingoism and consequent taxes, and place in power ministries given to old political and more new economic modes of thought) and then offer to forgive each country its debt to us, and to extend further government credit for economic development only just in proportion as the particular country reduces its existing military and naval establishment, its current expenditures for armament, and its pretensions to political mastership of racially unlike peoples. This settlement, of course, would involve re-examination or resettlement of the entire question of reparations.

"It was acute military expenditure that created the debts," adds Mr. Dowst. "It is chronic military expenditure, direct and indirect, that is consuming the margin of production that otherwise would enable Europe to get on its feet. Enormous as is the destruction occasioned by any war, and particularly by the world war, it is literally a bagatelle in comparison with non-productive consumption and labor-loss occasioned over indefinite periods by a society of nations organized in armed camps for attempted international piracy and exploitation."

In conclusion, Mr. Dowst says:

"I make no claim to being a prophet, but I assert as a proposition self-evident to intelligent men that in this day and generation, with warfare more and more a matter of industrial organization, of chemicals and of credit, any nation which would completely scrap the old technique of 'preparedness,' devote all its energies to the elimination of governmental waste and to the systematic development of its natural resources and industry, its scientific knowledge and its technical expertness, while concomitantly increasing the happiness and loyalty of its people merely by its changed organization and aims, would incidentally and inevitably place itself in a position of invulnerability to attack on the part of a less highly organized or more predatory neighbor. The history of mankind proves the point."

An International Bond Issue the Solution

Reader Charles Janin, a mining engineer of San Francisco, would settle the matter by a great joint international bond issue. He says:

"The foreign debt owed to the United States Government approximates $10,000,000,000. These loans were financed in the first instance through U. S. Government bond issues, sold direct to the American public with interest rates from 3¼% to 4¾%, and ranging from entirely tax exempt to certain limited exemptions.

"The people of the United States are paying heavy taxes to cover interest and redemption of principal, of these bonds. It is proposed that a series of International Bonds, guaranteed respectively by the British, French and Italian or other foreign governments in the first instance and also as to principal and interest by the U. S. Government, be issued, as long time loans. These bonds to bear interest at 2% per annum, to be free from all present and future taxes in any of the above countries in any amounts held. Bonds to have a speculative future, being made exchangeable at certain periods into Government securities of the different foreign countries at a stated rate of exchange calculated at somewhere near present figures, or at redemption payable in foreign monies at these rates, if desired. U. S. Government Bonds of any previous issue to be exchangeable for these international Bonds. Proper provision to be established for a sinking fund by the foreign governments to redeem their respective bonds at specified periods, commencing at a certain agreed upon time. Bonds to be offered both in the U. S. and also in foreign countries interested, the proceeds of the sales of these bonds to come direct to the U. S. Government to cancel that part of the Foreign Government debt, and also to retire Liberty Bonds in the same proportion as subscriptions are received.

"The non-taxable feature would be attractive to banks and large holders of present Government securities, and also to bond buyers in foreign countries, a safe untaxable security, guaranteed at home and abroad. The speculative feature based on exchangeability into Government securities of the foreign countries (at approximately the present rate of exchange) or payable at the option of the holder at time of redemption in funds of these foreign countries at similar rates would be an added attraction. The advantage to the United States would be the practical wiping out of the $10,000,000,000 of the international

(*Please turn to page* 456)

Bonds

When to Invest in Short-Term Notes

Advantages Offered by Short-Term Issues and a List of Well-Secured Notes

By R. M. MASTERSON

THE present position of the bond market is extremely complex, and in its present phase is difficult to fathom. When bonds are at low levels, such as they were throughout the greater part of 1920 and 1921, it is a comparatively easy matter for an investor to select certain gilt-edge issues and say to himself "These bonds are absolutely safe from a standpoint of principal; they are selling at low prices, and while they may go lower, I cannot hope to pick the bottom; I know they are cheap and if I buy now I am sure to reap a substantial profit eventually." Conversely, when prices are unquestionably high, the investor can dispose of his holdings with confidence, realizing that, while he may not be getting out at the absolute top, he is quite sure that he will be able, at some future time, to buy back at decidedly lower prices as the cycle of business moves on its way.

Present Position

Today bond prices certainly are not what can be called "low." On the other hand, compared with 1912 or 1906, they still have quite a distance to travel before they reach a level which, in pre-war years, would have been termed "high." Thus, the important question to decide is what can be considered "high" ground under general conditions as they exist today. Since the war great economic changes have taken place which have completely overturned many old theories. While the general economic principles which govern security price movements will always remain the same, the events of the past few years have upset our so-called "basis of normal" which in the past we were able to use as a guide in arriving at fixed conclusions. Consequently, we are up against the danger of reasoning, for example, that because Atchison General 4s sold at 104 in 1906, they are "cheap" today at 90, whereas, under present standards, a price of 90 for these bonds may be a very good one indeed.

It will be recalled that bonds commenced their "big move" in the summer of 1921 and continued steadily upward until the middle of October, 1922. A moderate reaction then set in which caused some ground to be lost, but over the past several weeks prices have "hardened" somewhat and part of the lost ground has been regained. The reaction, however, was by no means severe and prices are far above their low levels of a year and a half ago.

It is the writer's personal opinion that the peak of average bond prices will be reached some time before the fall of 1923. It is his belief, however, that many of the best grade issues are now selling at fairly high prices, and, while they may again equal their "tops" of last October, or even sell a shade higher, he cannot help but feel that many bonds of this class cannot be expected to do a great deal more marketwise. On the other hand, there are a number of good issues still selling at attractive yields which will, in all probability, reach higher figures if the issuing companies enjoy greater prosperity over the coming months.

On the whole, however, from a purely speculative viewpoint, the position of bonds as a class does not appear attractive in view of their already extended advance. It is true, as stated above, that a number of good long-term bonds can be had at prices that are likely to assure a profit eventually, but this cannot be said of the great majority of such issues. For the investor, therefore, who is uncertain about the future course of the bond market as a whole and who prefers to keep his funds in a liquid position, at the same time securing a higher yield than that possible in Treasury certificates or bank deposits, it is a problem as to how to invest. This problem would seem to be solved by the short-term issue which contains certain special advantages. Among these advantages may be mentioned the following:

A "short term" issue, if it is a safe one, cannot fluctuate to any great degree, for the reason of its close proximity to maturity, when it will be paid off at par. To illustrate: a 6% bond maturing in three years would only decline to about 97½, if it were to sell on a 7% basis, whereas a 6% bond maturing in 50 years would have to sell at about 86 to be on a 7% basis. It is apparent, therefore, that if an investor sells his holdings in long-term bonds at a time when prices are high and reinvests the proceeds in short-term securities, he will then be in a position to take advantage of any break in prices and buy back his original holdings at a much greater reduction than any decline he would suffer in the short maturities. The short-term issue is essentially a form of investment desirable for the temporary employment of funds received at a time when prices for the long-term bonds are too high to be attractive. A few recommendations of particularly attractive short-term bonds are given herewith, the details of the various issues being presented in the accompanying table.

Anaconda Copper 6s and 7s

These bonds are direct obligations of the Anaconda Copper Mining Company. They are outstanding in the total amount of 50 millions and are secured by pledge with the trustee of stocks of constituent companies valued (in 1920) at over 100 millions. The company has no other funded debt.

Anaconda is the largest producer of copper in the world. During the past year it acquired the American Brass Company, which is reported to use about 1 million pounds of copper daily, and negotiations are now under way for the acquisition of the Chile Copper Co., a huge South American producer. During the greater part of 1921 Anaconda's mines were closed down, along with practically every other copper mine in the United States, owing to the lack of demand for the red metal brought about by the tremendous accumulations of stocks after the signing of the Armistice. These surplus copper stocks, however, have gradually been absorbed and the industry is now in a sounder condition, with copper selling over 14 cents per pound.

Interest on the notes has always been covered by a substantial margin with the exception of 1921, when the mines were closed for all but first three months, while the stock is not particularly inviting, the notes are in an unquestioned position. Capital stock is outstanding in amount of $150,000,000 (par $50), which at current quotations of about 50, indicates an equity of $150,000,000 behind the notes. The December 31, 1921, balance sheet showed a thoroughly sound financial condition, with net current assets of $48,000,000, and no doubt the company's condition has been greatly strengthened since a year ago. The properties are of great value and the equities are sufficient to give the notes a very strong degree of safety.

There are two classes of Anaconda notes, both maturing in 1929. The "A" notes carry a 6% coupon rate and the "B" notes 7%. Yield on these two issues is 5.80% and 6.25% respectively. They are sound short-term investments.

Copper Export Association 8s

This association was formed by a number of copper companies representing about 75% of the copper production of the United States. Early in 1921 the associa-

tion took over 400 million pounds of refined copper from the various producing companies, including Anaconda, Kennecott, Phelps Dodge, American Smelting & Refining, Utah, Chile, Braden, Ray, and others. This copper was specifically pledged to secure the 40 million 8% notes, which was at the rate of 10 cents per pound. Under the Trust Agreement, copper may be withdrawn only upon payment to the trustee at the rate of 12½ cents per pound, any such moneys received to be either held as security by the trustee or applied to the purchase or redemption of notes.

For the past 20 years the average price of refined copper has been 16 cents per pound and the lowest price reached was 11 cents. At the present time copper is selling only fractionally under 15 cents. Copper does not deteriorate and, in this instance, it is pledged at a price so low that the safety of the 8% notes is assured.

There are two issues of the Copper Export notes, one maturing February 15, 1924, and the other February 15, 1925. Both are 8% notes. Yield on these two issues is 6.50% and 6.35% respectively. For short-term investment they are especially attractive.

Interborough Rapid Transit Co. 7s

The Interborough Rapid Transit Company has recently undergone a readjustment which has drastically scaled down fixed charges and placed the company on a sound footing. The 10-year 7% notes of 1932 are, in effect, an extension of an 8% note issue which matured September 1, 1922. Trading is being carried on on the New York Stock Exchange on a "when issued" basis, but notes will be ready for delivery on January 2, or shortly thereafter.

Each $1,000 7% note is specifically secured by pledge of $1,736, par value of the company's first and refunding mortgage 5% bonds of 1966. This is the equivalent of the bonds being pledged at a price of 57½. These 5% bonds, however, are listed on the Exchange and are selling at the present time at about 72, or over 15 points above the pledged price.

The notes are convertible into the pledged bonds at 80 for the first three years, 85 for the second three years, and 90 for the last four years of their duration. Thus, any upward move which might take place in the First & Refunding 5s would be directly reflected in the notes.

I. R. T. operates an extensive subway and elevated railway system under contract with the City of New York. Under the terms of this contract the company is entitled to certain cumulative preferentials which are ample to cover all fixed charges by a wide margin, before the city is entitled to any return whatever on its investment. The contract may not be broken except under certain stipulated provisions for the payment of a substantial premium to the company by the city. It has been estimated that were the contract to be broken at the present time the company would be able to liquidate its entire funded debt dollar for dollar and still have over $100 per share available for its capital stock.

The notes have a very fair degree of security and their high yield and convertible feature makes them doubly attractive.

New York Airbrake 6s

These bonds are an unusually attractive security of early maturity. They are authorized and outstanding in the small amount of 3 millions and are secured by a first "closed" mortgage on the company's plants, which are located at Watertown, N. Y.

According to a balance sheet, dated June 30, 1922, the net assets behind these bonds amounted to about 19 millions, equivalent to over $6,000 behind each $1,000 bond. The cash position was excellent, with current assets of $5,392,000, against current liabilities of only $596,000.

For 1921 the company reported a deficit of $278,000, but in preceding years bond interest was always covered by large margins. During the year 1922 the company has shown great improvement, income available for interest charges for the first six months amounting to $400,000, or more than four times such requirements. The outlook for the railroad equipment companies is excellent and there is every reason to view the future of New York Air Brake with confidence. Following the bonds there is outstanding 100,000 shares of Class A stock (paying $4), and 200,000 shares of common stock. At present quotations of 48 and 27, respectively, these stocks indicate an equity of about $10,200,000 over and above the 6% bonds.

Sinclair Crude Oil Purchasing 5½s

This company is owned jointly by the Standard Oil Company of Indiana and the Sinclair Consolidated Oil Corporation. It owns and leases large storage tanks located in Texas, Kansas and Oklahoma, and also owns large quantities of crude oil, which it purchases for account of the two companies which control it.

At the time of the issuance of the 5½% notes, the Standard Oil Co. of Indiana and Sinclair Consolidated Oil Corporation entered into an oil purchase contract with Sinclair Crude Oil Purchasing Co. This contract, which has been assigned to the trustee for the benefit of the notes, contains an agreement whereby the two purchasing companies agree to buy *at any time on demand* of the Sinclair Crude Oil Purchasing Corporation, the entire amount of crude oil then owned by that company, for an aggregate sum of 33 millions in cash, each of the two purchasing companies agreeing severally to purchase one-half the oil then owned for one-half of the agreed sum.

The notes, which are outstanding in amount of 30 millions, constitute the sole funded indebtedness of the company, which is prohibited by the Trust Agreement from placing any mortgages on its properties.

On the basis of the present yield of 6.35%, these notes make a very satisfactory short-term investment.

Solvay & Cie 8s

This is a Belgian Trading Association which owns a block of 351,594 shares of the common stock of the Allied Chemical & Dye Corporation. This stock is specifically pledged with the National City Bank of New York, the trustee, as collateral for the $10,000,000 8% notes of 1927.

Allied Chemical & Dye stock is paying at the rate of $4 per annum, which dividend alone is equal to more than 50% in excess of the annual interest charges on the 8% notes. The stock, which is listed on the New York Stock Exchange, is quoted at about 78, giving the pledged collateral a value of over 27.7 millions.

Solvay & Cie agree that none of this collateral can be withdrawn while any of the bonds are outstanding, and that they will pledge additional collateral if, as, and when necessary, to the end that the market value of the aggregate collateral shall be not less than 150% of the outstanding amount of bonds. This part of the agreement has been rigidly enforced by the trustee, and a year ago, when Allied Chemical & Dye was selling at a low figure which threatened to bring the market value of the pledged collateral below the 150%, Solvay & Cie promptly remitted additional collateral upon the request of the trustee.

Solvay & Cie is the largest manufacturer in the world of soda products. It was established in 1863 and controls the famous "Solvay" process for the manufacture of soda ash, a product which is used basically in the manufacture of many well known articles. The company has net tangible assets of upwards of 70 millions and there is no funded debt, nor can any be created, other than the 8% bonds of 1927. These notes are exceptionally attractive for short-term investment.

SHORT-TERM NOTES

Name of Company	Title of Security	Interest Rate	Maturity	Lowest Denom.	Interest Dates	Tax Status	Redemption Price	Location of Market	Appx. Price	Appx. Yield
Anaconda Copper Mng. Co.	10-Yr. Sec. Notes, Ser. A	6%	Jan. 1, 1929	$1,000	J. & J. 1	2% paid by Co.	None	N. Y. Curb	101	5.80%
Anaconda Copper Mng. Co.	10-Yr. Sec. Notes, Ser. B	7%	Jan. 1, 1929	500	J. & J. 1	2% paid by Co.	103-100½	N. Y. Curb	103¾	6.25%
Copper Export Assn., Inc.	Secured Notes	8%	Feb. 15, 1924	1,000	F. & A. 15	Not paid	102-101	N. Y. S. E.	101½	6.50%
Copper Export Assn., Inc.	Secured Notes	8%	Feb. 15, 1925	1,000	F. & A. 15	Not paid	103-101	N. Y. S. E.	103	6.35%
Int. Rapid Transit Co.	10-Yr. Sec. Conv. Notes	7%	Sept. 1, 1932	100	M. & S. 1	——	105-100½	N. Y. S. E.	93	7.70%
New York Air Brake Co.	1st Mortgage Bonds	6%	May 1, 1928	100	M. & N. 1	2% paid by Co.	None	N. Y. S. E.	100	6.00%
Sinclair Crude Oil Pur. Co.	3-Yr. Series A Notes	5½%	Apr. 15, 1925	1,000	A. & O. 15	2% paid by Co.	102½-100½	N. Y. S. E.	98	6.35%
Solvay & Cie.	7-Yr. Secured Notes	8%	Oct. 1, 1927	100	A. & O. 1	2% paid by Co.	104-101	N. Y. Curb	105	6.80%

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	GILT EDGE.			
	(e) Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	91½	7.28	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	85⅞	5.26	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	87½	4.98	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	87⅛	4.78	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	88¾	4.68	2.40
6.	N. Y. Central Genl. Mtg. 3½s, 1997	77	5.58	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	88	5.17	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	88⅞	4.71	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	92½	4.93	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	82¼	4.86	**
11.	Norfolk & Western (c) Cons. 4s, 1996	90½	4.43	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	108	4.61	1.40
13.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81⅞	4.94	1.00
	(e) Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	89⅛	5.51	†
2.	General Electric (b) Deb. 5s, 1952	100½	4.97	6.75
3.	International Paper (a) 5s, 1947	88½	5.90	5.55
4.	Indiana Steel (a) 5s, 1952	101¼	4.92	16.70
5.	Liggett & Myers (aa) Deb. 5s, 1951	98	5.13	4.65
6.	Baldwin Loco. (a) 5s, 1940	101½	4.87	3.50
7.	National Tube (a) 5s, 1952	100¼	4.95	**
8.	Corn Products (a) 5s, 1934	100	5.00	60.70
9.	U. S. Steel (a) 5s, 1963	103	4.83	8.70
	(el) Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	103½	5.74	3.40
2.	American Tel. & Tel. (c) 5s, 1946	98⅛	5.13	4.80
3.	Philadelphia Co. (c) 6s, 1944	99⅞	6.01	3.50
4.	N. Y. Telephone (b) 4½s, 1939	93¼	5.10	**
5.	Montana Power (c) 5s, 1943	98	5.10	2.90
6.	Col. Gas & Electric (a) 5s, 1927	96¾	5.93	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99	5.07	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	97½	5.21	1.75
	MIDDLE GRADE.			
	(el) Railroads.			
1.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	90⅛	5.89	2.40
2.	Ches. & Ohio (b) Conv. 5s, 1946	94⅜	5.43	1.55
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	83¼	6.14	.75
4.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	70¼	6.28	1.60
5.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	78½	5.58	0.80
6.	Illinois Central (b) Col. Trust 4s, 1953	85¼	4.95	2.25
7.	Pere Marquette (c) 1st Mtg. 5s, 1956	96⅝	5.72	2.05
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	68⅝	5.14	1.70
9.	Southern Pacific (b) Col. Trust 4s, 1949	84¼	5.08	2.40
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	78	5.15	2.00
11.	Chic. & Eastern Ill. (c) Gen. 5s, 1951	80¼	6.54	2.10
	Industrials.			
1	South Porto Rico 1st Mtg. 7s, 1941	99½	7.05	5.50
2.	Sinclair 1st Lien, Col. Tr 7s, 1937	100¼	6.92	3.70
3.	Wilson & Co. (a) 1st 6s, 1941	100⅛	5.94	2.10
†4.	Adams Express (b) 4s, 1948	80	5.47	2.60
5.	Comp. Tab. & Recording (b) 6s, 1941	97	6.28	5.45
6	Int. Merc. Marine (b) 6s, 1941	89¾	6.98	5.15
f7.	Lackawanna Steel (c) 5s, 1950	90½	5.69	6.90
8.	U. S. Rubber (c) 5s, 1947	88¼	5.92	2.35
9.	Amer. Smelting & Refining (c) 5s, 1947	93	5.53	5.00
10.	Goodyear Tire (c) 8s, 1941	114¼	7.46	9.55
	(e) Public Utilities.			
1.	Public Service Corp. of N. J. (a) 5s, 1959	84¾	6.03	1.50
2.	Detroit Edison (c) Ref. 5s, 1940	95½	5.40	2.60
3.	Brooklyn Union Gas (a) 5s, 1945	95½	6.34	*1.35
4.	Northern States Power (b) 5s, 1941	92½	5.55	1.80
5.	Brooklyn Edison (c) 5s, 1949	97	5.21	2.20
6.	Utah Power & Light (a) 5s, 1944	87½	6.03	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	92½	5.79	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	62	7.07	.76
2.	Iowa Central (a) 1st Mtg. 5s, 1938	70	8.55	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	77½	7.22	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	76½	8.05	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	60½	8.42	.75
6.	Erie (a) Genl. Lien 4s, 1996	43½	9.21	0.70
7.	Southern Railway (a) Genl. Mtg. 4s, 1956	68½	6.32	1.85
8.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	62¼	6.58	.90
9.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	92	5.78	1.40
10.	Chic. Gt. Western (a) 1st 4s, 1959	51	8.27	....
11.	Int. & Gt. Northern Adj. 6s, 1952	48⅞	12.67	0.60
	Industrials.			
1.	Chile Copper (b) 6s, 1932	96	6.60	3.30
2.	American Writing Paper (a) 6s, 1939	84	7.76	1.90
3.	American Cotton Oil (a) 5s, 1931	78½	8.80	3.15
4.	Cuba Cane Sugar (c) 7s, 1930	87⅞	9.40	1.80
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	84½	6.08	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	71⅜	7.15	1.60
3.	Third Avenue (b) Refg. 4s, 1960	60	7.06	*1.20
4.	Va. Railway & Power (a) 5s, 1934	84	7.05	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.

(x) This issue was created on May 1, 1921. † This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920. * Number of times over interest on these bonds was earned. ** Earnings are not reported separately. ‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered. (e) Bonds in this group should no longer be purchased. They appear now as a matter of record only. (el) Bonds in this group should no longer be purchased with the exception of Duquesne Light 6s, Phila. Co. 6s, M., K. & T. 5s, Frisco 4s, & Chi. & E. Ill. 5s. (f) These bonds should no longer be purchased. They appear as a matter of record only.

BOND MARKET STEADY

Firm Tone But Few Important Changes—Fair Volume of Transactions

CONSIDERING the fact that the last two weeks of the year generally give rise to the expression of accumulated investment demand, the bond market was not unusually active. Fluctuations in the main were fractional and the character of the market at more than one time in the two-weeks' period was dull, if not irregular.

Probably the influence of greatest practical importance at this time is prevalent uncertainty with regard to the outlook for money rates. The general level of money, as indicated by time money and commercial paper, is approximately 5%. Inasmuch as many high-grade issues at current prices are not yielding much more than that figure there is naturally little inducement for investment in such issues. The possibility, also, that money rates may approach a somewhat higher level, is having a deterrent effect on the market. In fact, there has recently been a distinct tendency toward purchase of fairly high-yielding short-term issues in preference to the lower yielding long-term bonds. This is to be expected under present conditions.

Railroad Bonds

No group of bonds was particularly conspicuous during the two-weeks' period except possibly railroad issues which were rather irregular owing to sympathy with the reactionary character of many railroad stock issues. The public utility issues were inclined toward relative weakness, such issues as Interborough Rapid Transit 5s losing a point or so and Brooklyn Rapid Transit 7s losing about the same amount. Reactionary trend of New York City tractions was due to political developments of a rather unfavorable nature.

Foreign issues were steady, owing to the continued strength of foreign exchange, the fundamentally unfavorable financial position of leading Continental powers evidently having no appreciable effect on these issues.

Among the industrials, Briar Hill Steel 5½s were a feature rising several points on account of the merger between this company and the Youngstown Steel.

Altogether the bond market gave evidence to no conclusive trend, awaiting developments abroad and in the home money market. Though some observers expect resumption of the forward movement in the bond market, as a whole, underlying conditions do not seem such as to give rise to any protracted advance. On the other hand, there are many attractive issues which on their intrinsic merits are worth buying, almost regardless of the general trend of the market, provided the investor is interested in considerations of a long-distance sort. One issue, in particular, which is called to attention is the Computing, Tabulating Recording 6s of 1941 which yield at current prices of 97 about 6¼%. These bonds are exceptionally attractive.

Railroads

Rail Earnings Increase Sharply

Volume of Traffic Heavier Than in the Peak Period of 1920

By ARTHUR J. NEUMARK

MIDST the enveloping gloon, and cloudy outlook for the railroads there appeared a gleam of light in the monthly November earnings. These reports at last reflected an ability on the part of the roads to retain a net balance commensurate with the exceptionally heavy volume of traffic handled.

Greatly handicapped and under additional expenses as a result of the shopmen's strike, it remained for the monthly I. C. C. earning reports to show just how seriously the carriers were affected. Although this strike was theoretically settled in September, in reality it is still under way. Those roads that actually settled with the union, are still suffering from a lack of good order equipment and heavier operating expenses because of the inefficient labor recruited to take the shopmen's places. On the other hand, there are a number of roads that have made no settlement with the union at all and, of course, these roads are in the worse shape. In this group are the eastern coal carriers, which are making the poorest showing of any group of roads. In fact, the situation as regards the condition of equipment is extremely serious, so much so that probably the greatest boon for these roads would be a sufficient slowing down of traffic to give them a brathing spell and a chance to put their house in order.

The majority of roads, however, earned considerably more than in the corresponding months of 1921 or 1920 and in the previous month of October. Car loadings for the month broke all previous rec-

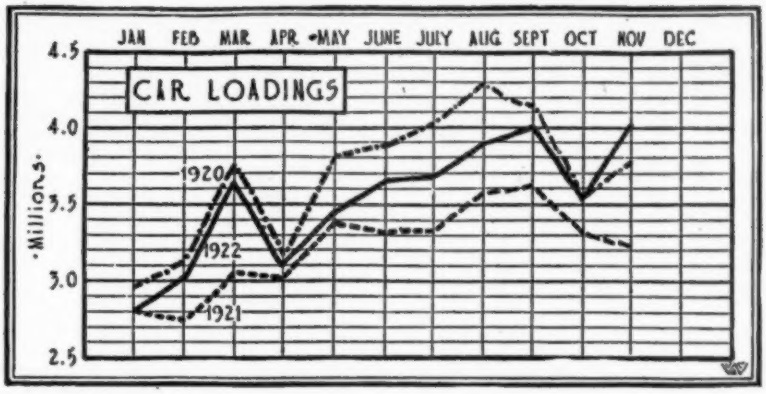
(*Please turn to page* 474)

CLASS I ROADS

(000 omitted)

	Net oper. income	*Month's normal earnings to give a 6% return
November, 1921	$66,198	$109,328
December	55,000	91,200
January, 1922	29,530	74,100
February	47,770	68,000
March	83,511	78,000
April	50,271	88,500
May	61,980	89,000
June	76,594	97,500
July	69,239	102,200
August	52,579	113,400
September	58,457	125,000
October	85,255	136,000
*November	105,000	113,000

* Estimated.



ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST ELEVEN MONTHS OF 1922

The following table is compiled on the actual average percentage of the first eleven months' net operating income to the total traffic year for the past ten years for each individual railroad.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$10.40
Atlantic Coast Line	....	....	....	10.60
Baltimore & Ohio	....	....	$3.05	....
Canadian Pacific	....	....	....	12.00
Central of N. J.	....	81	....	....
Chesapeake & Ohio	....	....	....	7.00
Chicago & Alton	....	16	....	....
Chicago & East Illinois	....	....	$2.30	....
Chicago, Mil. & St. Paul	....	70	....	....
Chicago North Western	....	....	....	4.60
Chicago, St. Paul, Minn. & O.	....	....	$6.75	....
Cleve., Cinn., Chic. & St. Louis	....	....	....	14.70
Delaware & Hudson	....	45	....	....
Delaware, Lackawanna & Western	....	....	....	3.20
Erie	$98,738	....	....	....
Great Northern	....	....	[5]5.00	....
Illinois Central	....	....	....	14.65
Minneapolis & St. Louis	....	50	....	....
Lehigh Valley	....	8	....	....
Louisville & Nashville	....	....	....	16.00
Missouri, Kansas & Texas	....	....	....	1.05
Missouri Pacific	....	77	....	7.35
New York Central	....	....	....	....
N. Y., Chicago & St. Louis	....	....	....	[2]15.85
N. Y., N. H. & Hartford	....	50	....	....
N. Y., Ontario & Western	....	67	....	....
Norfolk & Western	....	....	....	10.70
Northern Pacific	....	....	....	3.75
*Pennsylvania	....	....	....	[3]5.15
Pere Marquette	....	....	....	5.50
Reading	....	....	....	2.80
Seaboard Air Line	....	[7]75	....	....
St. Louis, San Francisco	....	[6]100	....	....
St. Louis Southwestern	....	....	....	6.15
Southern Pacific	....	....	....	[1]9.05
Southern Railway	....	....	....	3.35
Union Pacific	....	....	....	11.10
Virginian	....	....	....	7.00
Wabash	....	....	[4]1.00	....
Wheeling & Lake Erie	....	31	....	....

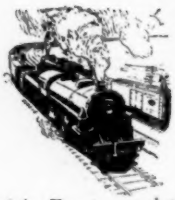
[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] Only class of stock outstanding. [6] Includes interest on adjustment and income mortgage bonds. [7] Excludes interest on adjustment income bonds. * On basis of first ten months' operations.

Delaware & Hudson R. R. Co.

D. & H. Approaches Critical Period

Outlook for the Company Depends on Status of Coal Industry—Position of Present Dividend Rate

By JOSEPH M. GOLDSMITH



THE Delaware & Hudson Co. is one of the oldest of existing transportation companies in the United States. It was incorporated in 1823 to operate a canal from Honesdale, Pa., to a point on the Hudson River, and as early as 1829, a year before the Baltimore & Ohio ran the first train to be operated by steam in America, the Delaware & Hudson had already constructed a gravity railroad. In spite of the fact that it was one of the very first railroads in the field, it has apparently never aspired to the great size that such later roads as the New York Central and the Erie have attained. It has been content to remain virtually the sole occupant of a rather closely circumscribed territory, in contrast to the policy of expansion employed by many of its neighbors.

Its lines now consist of 908 miles of road, only 343 miles of which are owned in fee by the Delaware & Hudson Co. It has done comparatively little building under its own name; the conspicuous exception being the line up to Canada; but has generally followed the practice of acquiring by means of lease, usually reinforced by stock ownership, other roads previously constructed. The two most important properties, from the standpoint of size and location, which were made a part of the system in this manner, were the old Albany & Susquehanna and the Renssalaer & Saratoga.

The Delaware & Hudson extends from Wilkes-Barre in the anthracite fields of Pennsylvania, via Schenectady and Albany, to Rouses Point on the boundary line between New York and Canada. It owns the entire capital stock of two subsidiaries which operate in Canada, namely the Napierville Junction Railway and the Quebec, Montreal and Southern, over which it has an entrance into Montreal and Quebec. For a railroad of its size the Delaware & Hudson has a large number of connections with other roads. At Binghamton, N. Y., it connects with the Erie and the Delaware, Lackawanna & Western. At Wilkes-Barre it connects with the Pennsylvania, while at Mechanicsville, one of the railroad gateways into New England, it interchanges with the Boston & Maine. It serves as a connecting link between the latter and a number of the trunk lines.

Coal Holdings

The Delaware & Hudson falls within the group of railroads commonly designated as the anthracite roads. Like most of the other carriers largely dependent upon this class of traffic, the Delaware & Hudson has purchased large tracts of land known to contain hard coal. The Reading, and its subsidiary the Jersey Central, the Lehigh Valley and the Delaware, Lackawanna & Western have all eagerly bought up as large a supply of unmined anthracite as possible. The repeated financial difficulties of the Reading in the '80s and '90s, was due to its very aggressive policy in the purchase of coal lands, the burden of carrying which it was unable to support. The purpose of the various roads was not so much to monopolize the production of anthracite; for a large percentage of the country's entire supply comes from this very small area in Pennsylvania; but to assure themselves of an adequate coal traffic through absolute control of the output of the lands adjacent to their lines.

The Delaware & Hudson does not mine any coal itself, but has turned this operation over to its subsidiary, the Hudson Coal Company, in which it holds stock amounting to $15,722,800 par value. All of the lands which belong to the Delaware & Hudson are leased to this subsidiary, which engages directly in the mining and distribution of the product. There were produced in 1921 by affiliated corporations 9,122,408 tons of anthracite, which amounted to 13% of the total production of all Pennsylvania mines and washeries. The coal reserves controlled by the Delaware & Hudson Company contain, according to various estimates, about 750 million tons, which at the present rate of depletion would last over eighty years.

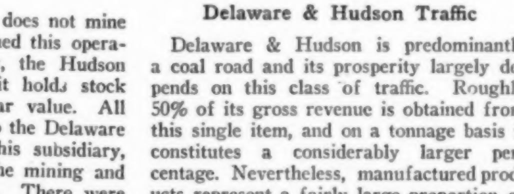
Investment in Electric Lines

Another enterprise in which Delaware & Hudson has sunk a great deal of money, the word "sunk" being used advisedly in this particular instance, is the United Traction Company, practically all of whose $12,500,000 capital stock it holds. This company, along with its subsidiary, the Hudson Valley Railway, operates a network of electric traction lines in and around Albany, Schenectady, Watervliet and Cohoes and up the Hudson Valley to Lake George.

The United Traction Company paid 4% dividends up until 1913, but since then has paid nothing. In common with most other street and suburban railways, its net revenues were very seriously reduced by the rise in operating costs commencing in 1914, without a corresponding increase in the rate of fare which the Public Service Commission would permit them to collect. Since 1914 the United Traction Company has incurred a deficit in every year, that for 1921 reaching the comparatively large amount of $1,796,000. During the current year results have shown a marked improvement, but on the whole its electric lines have not proven a very desirable investment for the Delaware & Hudson. Neither do the boat lines that it operates on Lakes Champlain and George yield much in the way of net income.

Delaware & Hudson Traffic

Delaware & Hudson is predominantly a coal road and its prosperity largely depends on this class of traffic. Roughly 50% of its gross revenue is obtained from this single item, and on a tonnage basis it constitutes a considerably larger percentage. Nevertheless, manufactured products represent a fairly large proportion of the total revenues, for the passenger business of the Delaware & Hudson is not at all important. It differs in this respect



from the Reading and the Lackawanna, each of which possesses a substantial volume of passenger traffic, largely suburban in character.

The coal originates on its lines around Wilkes-Barre and Carbondale, Pa., and moves northward in very heavy train loads, which from the latter point averaged 3,765 tons in 1921. The greater part of this coal is destined for New England, although smaller quantities go into Canada and in other directions. In spite of the comparatively short haul which the Delaware & Hudson enjoys on most of it, the large train loads in which it can be moved make it very lucrative.

As previously mentioned, the Delaware & Hudson serves as a bridge line between the Erie, Lackawanna and Pennsylvania on the one hand, and the Boston & Maine on the other. Mechanicsville, New York is one of the four important gateways connecting New England with trunk line territory, and all the traffic interchanged at this point passes over the Delaware & Hudson. Moving into New England are coal, foodstuffs and raw materials, while outbound is a steady flow of manufactured goods.

The D. & H. Yards at Carbondale, Pa.

Earnings

The earnings of the Delaware & Hudson up until the period of Government control, although not showing on the average a very wide magin over its 9% dividend requirements, which rate has been maintained since 1907, were reasonably stable. Ordinarily a road largely dependent on one kind of traffic has rather violent ups and downs, due to large variations in the output of that particular product. The demand for anthracite coal, however, is exceptionally regular on account of its use as domestic fuel. Whereas bituminous coal, mainly used for industrial purposes, undergoes severe fluctuations, a constant supply of hard coal is required year in and year out.

During the period of Federal operation actual earnings fell to $2.10 per share in 1918 and entirely disappeared in the two following years. However, the standard return paid by the Government in 1918 and 1919 and the guaranty extending to September 1, 1920, enabled the Delaware & Hudson to maintain its customary rate of dividend and still add to its surplus.

In 1921, the first full year of private operation, gross revenues increased slightly over 1920, whereas on most roads quite the reverse was the case. Although maintenance was higher in 1921 than in the preceding year, operating expenses were reduced by 3.3 millions, resulting in a net income applicable to dividends equal to $11.62 per share. The saving had been effected by a reduction in the operating ratio from 93% to 85%, by means of more efficient operation. Notwithstanding a decrease in total freight movement amounting to 25%, due to the low state of activity in the industrial world, heavier loading and more expeditious handling of trains made possible a much improved showing.

The first three months of 1922 showed a marked improvement in net operating income over the same period of last year, partly due to the accelerated production of coal in anticipation of the strike. Results for the quarter amounted to about 2 millions, compared to only $253,000 for the period ending March 31, 1921.

April 1, 1922, marked the beginning of a nation-wide strike of all union coal miners, due to a considerable divergence of opinion between the operators and the miners as to the new wage scale. Since practically the entire anthracite field is organized it involved an almost complete suspension in this branch of the industry. This paralysis of anthracite production extended over a period of five months, and during the interval roads such as the Delaware & Hudson moved practically no hard coal. Since anthracite coal revenue amounts ordinarily to about 40% of the total from all sources, the severity of this blow is quite obvious.

Beginning with April, gross revenues dropped precipitously and operating expenditure could not be reduced in anything like the same proportion. For the five months' period ending August 31, during which the strike continued, gross revenues only equalled 63% of their amount for the corresponding period of 1921. In the place of a decrease such as this it is not astonishing that each month produced a deficit.

Although the miners returned to work in September, it was not until October that the resumption was reflected in a movement of traffic approaching normal. In that month the effect of the shopmen's strike was still felt in the form of exceptionally high operating costs, and net operating income for October only amounted to $120,000. For the entire ten months ending October 31, earnings have been $745,000, compared with $6,407,000 for the same period of 1921.

Probable Deficit for 1922

At the present time, loadings of coal are only limited by lack of sufficient cars, for in the rush to relieve the coal famine in our cities, railroad facilities are being taxed to the utmost. Loadings on the Delaware & Hudson are considerably above normal and will undoubtedly continue so.

For this reason operations for the last two months of 1922 should result in a net operating income at least equal to that earned in November and December of 1921, which was $355,000. On the basis of this estimate earnings for the current year should be about 1.1 millions.

The Delaware & Hudson normally obtains approximately one-third of its total gross income from operations outside the railroad field. In 1921 this outside income, mainly from its coal properties, aggregated 3.4 millions, but it is doubtful whether it will be quite so large this year. Calculating it on this basis, however, the net deficit after fixed charges, which total about 5.25 millions, would equal something over $700,000.

To this we must add the amount of dividends which will have been paid out. The Delaware & Hudson has an outstanding stock capitalization of $43,503,000. Nine per cent on this sum amounts to $3,825,000. In other words, on the basis of the above estimates, the Delaware & Hudson has dipped into past earnings to the extent of some 4.5 millions, in order to maintain the established rate of payment to its stockholders.

Conclusion

This imposing deficit is entirely attributable to the coal strike. The situation was aggravated by the strike of the railway shopmen, which materially increased operating expenses, while gross revenues were so adversely affected.

The action of the directors in continuing to pay 9% on the stock, even though it was not being earned, would seem to indicate their confidence in the road's ability to make up the losses incurred in 1922. The Delaware & Hudson has paid dividends uninterruptedly since 1880. The present rate has been maintained since 1907. In the opinion of those who guide its financial policy, the abnormality of the situation justified the continuance of the

(*Please turn to page* 461)

Money, Credit and Business

Is a Reaction Coming in Building?

How a Real Estate-Banker Views the Situation and Outlook

By RALPH RUSHMORE

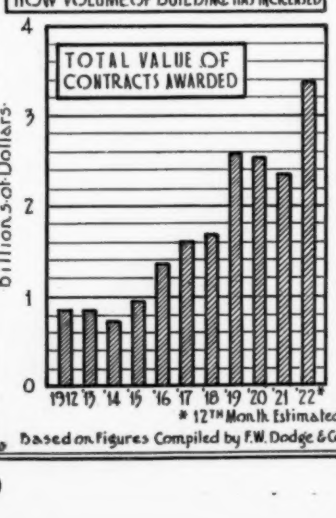
MR. FRANK BAILEY is vice-president and trustee of the Title Guarantee & Trust Co. He is president of the Realty Associates. He is an officer or director of some twenty other corporations, including the Nassau National, Thompson-Starrett, Edison Electric Illuminating of Brooklyn and the Bush Terminal Company.

Mr. Bailey's many activities, all more or less closely associated with the real estate and building construction markets, make his views on conditions and prospects in the building market authoritative and weighty.

At this time of inflated costs in the building market, which condition has existed now for many months past, it is extremely interesting to note that Mr. Bailey believes a reaction, both in activity and costs, is not far off. Although he is of course unwilling to set a particular week or month for the turning point to be reached, Mr. Bailey does go as far as to assert that it will be reached before the present year is out.

In a conversation with the writer, Mr. Bailey took occasion to emphasize the extraordinary inflation which has occurred in the cost of building materials in the last quarter-century.

"Compare prices of today with those of twenty-five years ago," said Mr. Bailey, "and you get some idea of the astounding advances that have been recorded. In 1897, ordinary brick, per thousand, for example, was priced at $3.75; today, its price is $23.50—over six times as much! Lath is up from $1.50 per thousand to $11.



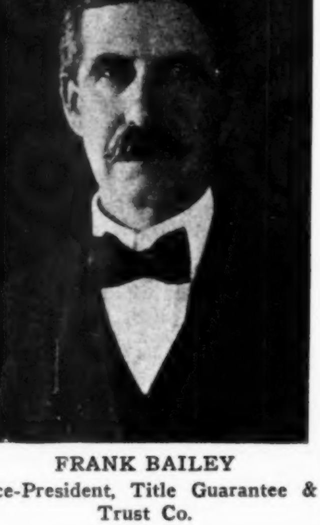
"The swollen costs of actual materials," Mr. Bailey continued, "is rivalled by the cost of labor. Common labor, which used to work for 28 cents an hour, today receives 75 cents an hour. Masons get $1.25 an hour against 50 cents. Plasterers, who used to receive $4 a day, get $17!"

These and other price-contrasts brought out by the speaker are reflected in the chart herewith. Of the items chosen for comparison, it is seen that the smallest advance of all—that in the hourly wage of masons—has resulted in an increase to no less than 250% of the 1897 level; while the cost of the ordinary brick is today 625% of what it was; and lath has increased more than seven times in value!

These changes become even more striking when shown in contrast with the movement in wholesale commodity prices as a whole. An additional comparison at the bottom of our chart serves this purpose. It is seen that the advances to a more than 700% level in lath, to a more than 600% level in brick and lime, and to never less than 250% in building labor wages, compare with an advance in the price of all commodities (as computed by the U. S. Bureau of Labor Statistics) during the same period to only about 225% of the 1897 level.

"These price distortions," continued Mr. Bailey, "have reflected the great growth of the labor unions in the building industry. In fact, I attribute to the growing power of these organizations and the manner in which that power has been exercised a good 15% of the upswing in building costs. By rules and regulations governing the activities, not only of their members but of all labor of the same class in the districts covered, they have in large measure forced the situation we suffer from today."

As an instance of his point, Mr. Bailey cited rules of the "Plumbers Association," as brought out in testimony before the New York Lockwood Committee on Housing. Among other things, it was testified that no more apprentices are sanctioned in the plumbing industry—that plumbers' helpers are not permitted to handle tools, being restricted by the organization to act as porters, so to speak, for the journeymen; and further that, in the face of the great shortage of plumbers effected by this ruling, members, even in good standing, in out of town locals are not permitted to work in the territory



FRANK BAILEY
Vice-President, Title Guarantee & Trust Co.

covered. The effect upon the labor supply of such a ruling as this is obvious.

Nor, judging by the testimony offered, has the union any intention of providing for a replenishment of this semi-skilled labor supply later on. "The union insists that there be one helper for every two journeymen, and it prohibits the interchange of cards between unions in New York and other cities." This, in effect, was the statement of one witness. Asked if it was not true that such restrictions tended to paralyze the mechanics of future generations, the witness replied, "Anyone can draw his own conclusions."

"Other rules," resumed Mr. Bailey, "all equally presumptuous, were brought out in the testimony. They indicate how much truth there is in the view that labor dictums are the source of a great part of the construction price advances we have seen. And, which is more to the point, their arbitrary and unscrupulous application indicates how soon they must be publicly denounced and removed as a factor in costs."

If the recommendations of Mr. Samuel Untermyer, of counsel for the Lockwood Committee, are sustained, New York

State, at least, will see some remedial legislation in this connection. Mr. Untermyer has proposed that the by-laws of labor unions, to the extent that they affect public welfare, be made subject to review by a special commission. In this recommendation, incidentally, there lies no effort to throttle the laborers' right to strike; nor, in its full sense, does the move anticipate the control of building wages. The purpose, as understood, is solely to protect the public—and the union members as well—from the operation of such organization rules as those described above, rules which have played so large a part in forcing building costs up out of all proportion to the cost of other operations, and artificially sustained them at inflated levels. Should some such recommendations as these be acted upon, it seems logical to expect what Vice-President Bailey forecasts, i.e., the eventual termination of market-control, as heretofore, wielded by the union organizations, and the resultant disappearance of this factor as an artificial price sustenant. This unjust domination of the labor unions has been effectively met in some of the cities of this country by a citizens movement on behalf of the poor who are without housing.

Other Elements

"There are other elements," Mr. Bailey added, "which also indicate the present building situation to be on somewhat unstable ground. One of these has been the efforts we have made to build within two or three years what it used to require eight years or more to construct." Bearing out this view, figures compiled by F. W. Dodge & Co. set the total value of building and engineering contracts awarded in 27 states for last year (1922) at more than 3.3-billions; whereas in 1912, the total was only 868-millions, or about one-quarter to one-third as much. (Although the fact that these statistics are in dollars deprives them of some of their value as an index of the *volume* of construction, they nevertheless give a good idea of the extent to which pyramiding has proceeded in the building construction world.) "I have not yet had time to translate the cost of new construction into the amount of construction reduced to pre-war costs. I am rather suspicious it will not show such a great increase as is apparent on account of the great cost at the present time."

A factor in this frenzied activity, in more recent times, at least has been the prospective removal of the tax-exemption of new building in New York State. Undoubtedly a good portion of the work more recently contracted for has been rushed in order to get it under the exemption limits which, in New York State, extends to April 1st, next year. This is another artificial stimulus whose prospective removal suggests caution in respect of new building contracts.

"Had the colossal volume of new building which we have seen been normal in quality," noted Mr. Bailey, "the present situation might not be so uncertain as it is. Under normal conditions, that is, residential buildings during the recent boom would have been constructed for *all* classes of people, and the housing demand which we have seen, would have been satisfied in an equable fashion.

"Under the circumstances, however, the exorbitant premiums fastened on new construction, have inevitably been passed on from builders to tenants, with the result that, in the last two years, scarcely a single building has been ereced which could be offered to the comparatively poor man at a price he could afford to pay. Let me illustrate:

"Before the war, the middle-class wage-earner could find decent quarters, even in the better metropolitan districts, at as low as $6 per month per room. That is to say, a 5-room apartment, in reasonably good surroundings, could be had for $30 a month. These were prices that the wage-earner could afford to pay.

"Today, with building costs what they are, it is practically impossible to provide quarters for less than $15 a room. The 5-room apartment of today, in the better districts, cannot be rented for less than $75 per month.

"Obviously, that is more than the comparatively poor man can pay. Indeed, I estimate that, with rentals (due to building costs) what they now are, a family simply cannot afford quarters of its own unless the wage-earner of the family have a salary of at least $3,000 a year—and that is a salary which considerably exceeds the earning power of the poorer classes.

"In this situation, I see one of the most dangerous features of the building situation at the present time. More than any other factor, it leads me to believe that the present building boom must soon come to an end. New construction will not go forward unless ample demands for tenancy are in prospect; 'ample tenancy' cannot be expected if the new buildings have to be priced beyond the people's ability to pay.

"We are in a situation where the poorer classes are being deprived of shelter by reason of the misguided activities of members of those classes. As the situation develops, more and more of these people—including the building laborers who have forced the situation—will have to go without all the luxuries and, perhaps, some of the necessities of life, in order to meet the rentals forced upon them. I have in mind a young couple who were in to see me the other day who told me they were without meat once a week because of the high rent they were paying. This cannot be an exceptional case.

The Outlook for 1923

"I believe the time will come when this inability to rent at 'poor-man prices' will force a considerable recession in building activity; and that, ultimately, building labor will decide to recede from its arbitrary and uncompromising attitude, if only for its own salvation.

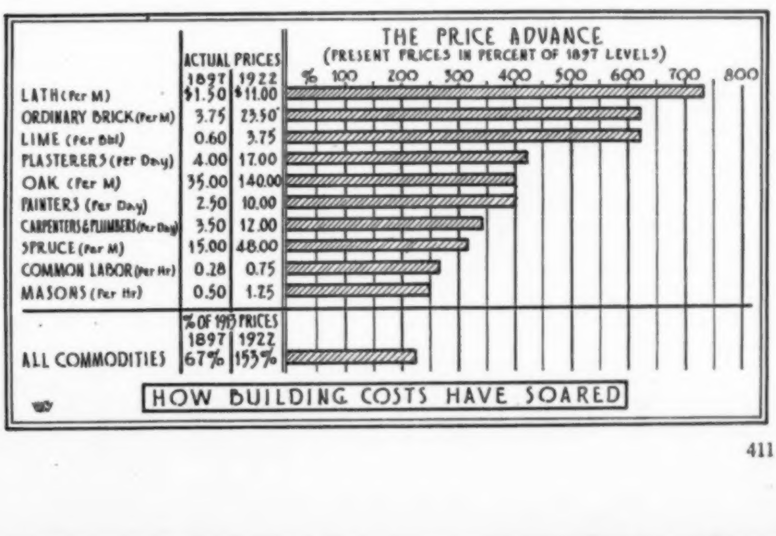
"Legislation will be of no avail, in this connection. We have already had our fill of that. Take tax exemption, for example—enacted in accordance with a great popular demand, and expected to prove of great benefit to tenants: As a matter of fact, this legislation has benefited only a small percentage of the tenants; and those whom it has benefited were in the least need of assistance—the ones who could best afford to pay. A few more enactments of the same sort on behalf of the poor man will force him to live in a tent!

"To me, the crux of the building problem is the cost of labor; and the turning point will come when labor, if only by reason of economic pressure, sees the light.

"That turning point, I believe, will come in 1923; and when it does come, it will probably be a rather abrupt stop."

Incidentally, Mr. Bailey does not believe that the reaction, when it occurs, will prove permanent. "As soon as prices recede—and they can only recede when the building-trade laborers are hungry and all material prices go down because of reduction in labor costs—," he observed, "I expect a secondary building movement of much greater proportions, and healthier than the present one.

"In conclusion," Mr. Bailey noted, "one thing should be said. That is that, out of all this rent agitation, one great and marvellous benefit has accrued to the City of New York: The individual ownership of homes occupied by owners has been increased at least thirty per cent!"



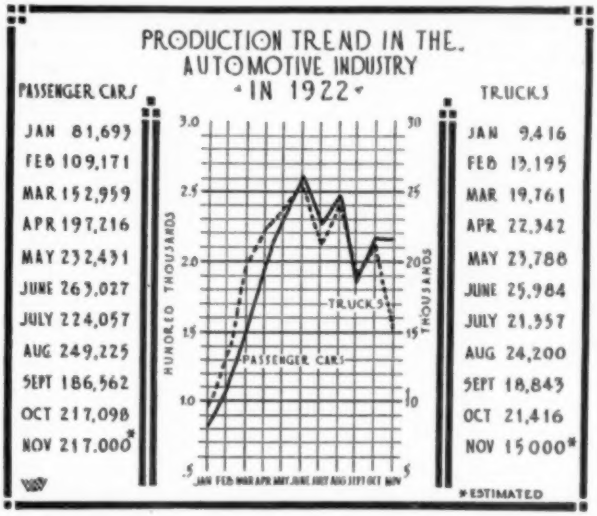
HOW BUILDING COSTS HAVE SOARED

THE TREND IN LEADING INDUSTRIES

	SUPPLY OF BASIC ELEMENTS				COST OF PRODUCTION				DEMAND			OUTPUT		PRICES		PROFITS
	Labor	Raw Materials	Fuel	Transportation	Labor	Materials	Fuel	Transportation	Unfilled Orders	Stocks on Hand	Shipments	Raw Products	Finished Products	Raw Products	Finished Products	Of Leading Companies
STEEL	Shortage gradually being overcome	Ample supply available	Full supply now had	Car shortage greatly reduced	Increase expected	Lower costs not likely	Much lower. Should stabilize	Still high. Possible cut	Small decline	Slowly decreasing	Greatly accelerated	Increasing	Increasing	Declining	Irregular	Slightly increasing
COAL	Full supply. Strikes in some hard coal districts	Ample supply available	—	Car shortage greatly reduced	At highest point	Lower costs not likely	—	Still high. Possible cut	At highest point	Sharp advance in soft coal. Hard coal unchanged	Greatly accelerated	At highest point	—	Sharp decline	—	Slowly increasing
BUILDING	Shortage in some sections. Stringent union regulations	Short supplies	Hard coal shortage	Freight shipments delayed	Higher wages demanded	Higher prices in prospect	Much lower. Should stabilize	Still high	Slowly increasing	—	Improvement necessary	—	Seasonal decline in construction	—	At highest point	Small profits
OIL	Full supply.	Ample supply available	—	Adequate supply of tankage pipe lines & tank cars	At highest point	Costs stabilized	—	Still high	Declining tendency	Very large	High but declining	Near record point	Over-production	Declining	Declining	Net profits falling off
COPPER	Shortage in some sections	Ample supply available	Still short but supply increasing	Ample for present low production	Wages advancing in some districts	Possible increase in some cases	Much lower. Should stabilize	Still high	Slowly increasing	Slowly decreasing	Slight increase	Slowly increasing	Big output	Small increase	No change	Very small net
CHEMICALS	Ample supply	Large supplies	Still short but supply increasing	Sufficient for present needs	At high point	Lower costs not likely	Much lower. Should stabilize	Still high	No change	Low, but ample for present needs	No change	Slow increase	Slow increase	Very high	Small increase	Small net
TEXTILES	Full supply. Labor troubles ended	Raw cotton growing scarce	Still short but supply increasing	Freight car conditions improved	At high point	Probably higher costs	Much lower. Should stabilize	Still high	Slowly increasing	Declining	Slowly increasing	Short cotton. Wool and silk ample	Sharp increase	At very high point	Slowly increasing	Slowly increasing
AUTOMOBILES	Full supply	Ample supply available	Still short but supply increasing	Freight car conditions improved	No increase likely	Costs should stabilize	Much lower. Should stabilize	Still high	Sharp decline. Seasonal	Over-supply of cheap cars	Falling off	—	Seasonal decline	—	Generally stationary	Seasonal decline
TIRES	Full supply	Ample supply available	Still short but supply increasing	Sufficient for present needs	No increase likely	Probably higher costs	Much lower. Should stabilize	Still high	Resting. Waiting for spring	Large supply	Falling off	—	Generally lower	—	10% increase	Extremely small profits
LEATHER	Full supply	Ample supply available	Still short but supply increasing	Sufficient for present needs	Higher wages possible	Advance stopped. Should stabilize	Much lower. Should stabilize	Still high	Increase stopped	Very large	No change	Large	Increase stopped	Advance stopped	No change	Only shoe manufacturers making money
PAPER	Full supply	Ample supply available	Still short but supply increasing	Sufficient for present needs	At high point	Unchanged	Much lower. Should stabilize	Still high	No change	Sufficient in present demand	No change	—	Increase stopped	—	No change	Slow decrease
TOBACCO	Full supply	Ample supply available	Still short but supply increasing	Sufficient for present needs	At high point	Slightly higher	Much lower. Should stabilize	Still high	Cigarette demand high. Cigars falling off	Very large	Sales not large	Sufficient for present demand	Production at high point	No change	Downward tendency. Possibly higher prices later	Decline in net

Industrials

1923 in the Automobile Industry



Significant Developments of the Past Few Months — Production Schedules and Prices—The Outlook for Earnings

By W. A. WARREN

A SURVEY of conditions in the automobile and allied industries made at this time must take into consideration the conditions which usually apply at this time. As usual, the industry finds itself with problems confronting it which will be more or less settled by the New York and Chicago shows in January and February. The question of demand for automobiles is not now a problem. The demand is there, ready to be filled, and the companies which can most economically fill it are the ones which are in the best position.

When it is realized that more than 80% of the automobiles sold are sold on a time basis ranging from 6 months to one year, it can be readily understood that the problem of financing automobile sales is the biggest condition to be met in the industry. With concerns like the General Motors Corporation, which has a strong financing plan, the dealer is in a very advantageous position. On the other hand, the dealer who handles a car made by a smaller organization is finding difficulty in financing himself without having to pay so much for his financing accommodations that his profits are seriously menaced.

Where the Small Manufacturer Stands

It is in this way that the automobile industry will function during the early part of 1923. Concerns which are so large that they are able to offer excellent money value in automobiles, because of their ability to produce them economically, and, at the same time, back this up with a generous financing plan, are in such a strong position that it is quite apparent that it is going to be a rather rough year for the smaller manufacturer who is unable to manufacture as cheaply, on one side, and to finance as cheaply on the other. The possibilities presented by this situation are significant. The smaller manufacturers are those who buy most from the parts makers. They are thus in a position where a part of the possible manufacturing economy is lost by the profits which the parts manufacturers necessarily require The parts manufacturers are fully aware of this situation and it is quite likely will be driven by it into more or less cooperative groups to the extent that they will manufacture units which fit well together. They will thus make assembly costs small, and, by standardizing on these units, try to reduce the number of models necessary to put through their plants—consequently, saving money to the small manufacturer or the assembler. This movement is already well developed and has been under way for about a year. It will be accentuated materially during 1923, as it is the only possible solution to the problem of the small manufacturer.

With an outlook for 3 million cars during 1923, and with a recognized demand for quite close to this number, it is apparent that the channel of automobile marketing will have to be enlarged to an extent to take care of the greater output. This will entail the necessity for an increased number of dealers, and since the available supply of dealers is limited, severe competition for better dealers may be expected. With this condition existing, it will be expected that discount percentages are quite likely to be increased and this has already begun.

Looking back over 1922, one of the big features of the year's development has been the greater consolidation of the General Motors lines. Abandonment of the Scripps-Booth and the concentration of the attention of officials of this company on the improvement in both design and selling methods o. the Oakland has resulted in rapid gains for this concern, which was previously recognized as the weakest selling member of the General motors group. Another factor which has been important in strengthening the General Motors organization during the year has been the expansion of the Fisher Body Co., enabling this organization to be in an advantageous position as regards the filling of demand for closed bodies. It is a well-known fact that the automobile industry has not closed body capacity enough to take care of the demand.

The production for the month of November was approximately 220,000 cars. The closed car percentage was approximately 50%. Some of the higher priced cars are now running 85 to 90% closed cars, and a great many of the upper medium classes running 65% closed. In the lower priced cars it is only the limitation of the productive ability of the industry which prevents higher percentages of these cars selling for less than $1,000. Even the Ford company, however, has been averaging 30% closed cars, with a production which has fluctuated between 4,000 and 5,000 per day. This percentage will probably continue and it has been rumored that the Ford company has planned to reach a peak of 6,000 per day for 1923. Releases covering a production of 5,000 per day have already been issued to parts makers. Ford's production for 1922, in spite of the shut-down, will have topped the million mark and will probably have equalled about 1,200,000. The prediction for Ford's output for 1923 is 1,500,000.

As an indication of the stimulated demand for a particular line of cars, a very outstanding example is Buick, which has reached a maximum of 800 per day output and at the end of last year was running close to 700 per day. It will be remembered that Buick production was off during the early part of last year and reached its peak immediately after the announcement of the new models in August. Buick made 19,000 during the first 3 months of 1922 and 39,000 during the second quarter, or a total of 58,000 cars for the first half of 1922. For the second half, this figure has been far ex-

ceeded and will have approximated 75,000 cars or better.

Copper-Cooled Cars

Considerable interest in the industry has been awakened by the fact that the General Motors copper-cooled car will be announced at the time of the New York show. This will be made by the Chevrolet company and its advent has been looked forward to for almost 3 years. It is trying to introduce this car with a moderate production to start with until the pulse of the public is felt and also so that the models can be closely watched for defects which might develop in production. As the name indicates, this is an air-cooled car with copper fins in place of iron.

The Studebaker Corporation closed their most successful year and is planning for a larger output for 1923. Increased space has been added to the South Bend factory, where the "light six" is manufactured. Some revisions will be made in the line to be announced in January. They will not be radical, however, as a considerable portion of the trade has been led to expect, but consist mainly in improvements in equipment. The policy of this concern, as well as a number of others, will be to more completely equip the automobile, rather than to reduce the price of the standard models.

It is felt that the increased advantage of the better selling points on a car equipped with stop-light, bumpers, windshield cleaner, etc., which have heretofore been regarded as extras, will more than offset any possible advantage accruing to a decrease in price. Thus, at the New York show, it may be confidently expected that we will see some announcements of cars that are to be equipped as standard with an extra tire and with the other accessories mentioned, in place of lower prices. With the demand where it is, it is not anticipated that any great number of price reductions will be announced this year at the show.

A few of the higher priced models and also some of the closed bodies will be reduced, where the differential between the open and closed bodies has remained high. These reductions will be made by concerns which have not already reduced their closed car prices proportionately, and since the majority have already done so, it can be expected that no great downward revision in prices need be expected. **In other words, the demand is present and the problems of the industry right at this particular moment are more concerned with meeting the demand successfully and at a profit rather than to stimulate it by price reductions or in other ways except as is required by competition with other makers in the same price field.**

Later on it will be possible to give a survey of the industry in such a way as to definitely review the outputs of each concern for the year. Annual production figures are in the process of compilation now and the relative strength of the companies are being compared. There are some interesting deductions to be drawn from these, which present a picture of the industry that is illuminating. Just at present we can expect a rather high mortality rate among the weaker concerns during the next few months. What concerns these are depends very largely on the ability to make suitable connections for the financing of their time sales.

Dealing with the immediate present, manufacturers generally are rushing through a large number of cars before winter weather complicates the railroad situation. Shipping during the early months of the year may be curtailed greatly because of the shortage of transportation facilities, and it is desired to provide ample stock against this. There is, however, much ready business and schedules are conservatively based.

Trade Notes

Ford sales during November exceeded 100,000, practically all of which are in the domestic field and due largely to the recent price cut. Sales following the reduction have exceeded expectations and will have necessitated the manufacture of 100,000 vehicles in December, despite inventory period. Closed car business is about 25% of the total. Tractor manufacturing is approximately 200 daily.

Chevrolet is building 1,200 cars daily and will increase this output. Business is running strong on closed cars and orders are several months ahead in practically every model. There is a large ready market for its open models and the company is intensifying its sales efforts in all territories.

Companies manufacturing closed cars of the utility type report that they are behind orders in almost every instance. From 10 to 30 days are required for deliveries. In this group are Dodge Bros., Maxwell, Hupp, Dort, and Studebaker. Schedules in these plants on all models show Dodge Bros. to be manufacturing about 500 daily, Maxwell 200, Hupp 100, Dort 100, and Studebaker 400, in all plants.

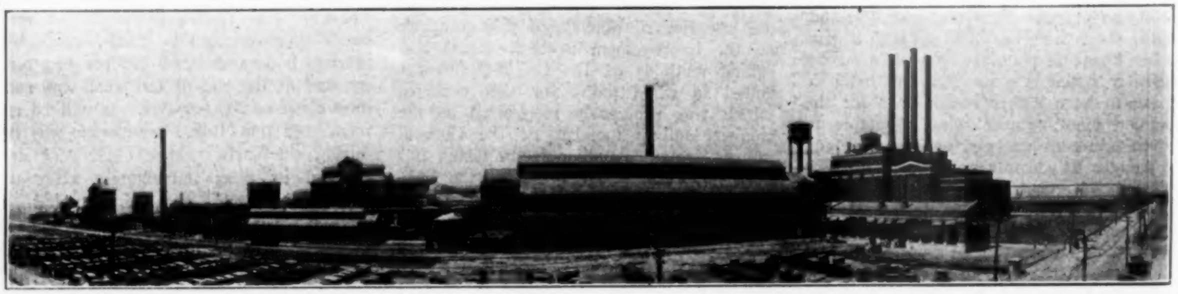
Buick is continuing its heavy production. Schedules in all plants, including Canada, approximate 500 daily, a large part of which is in its touring sedans. Hudson and Essex are building about 250 daily, with its coach models leading in popularity. Closed car Hudson and Essex business is now close to 60%.

Better priced lines are running close to capacity. Cadillac, with new low prices in effect, is building about 100 daily; Packard is increasing its production in December to 2,250 a month, a 25% increase over its earlier year schedules. Lincoln production at the rate of about 30 daily, is sold through the winter. Wills Sainte Claire, despite its temporary financial difficulties, is operating at the rate of about 20 cars daily.

Oldsmobile and Oakland are continuing operations at the rate of about 100 a day. Paige-Jewett schedules call for production of about 100 daily. Reo is approximating 100 a day in cars and speed wagons. Rickenbacker is building about 20 cars daily, and Durant about 100 daily each in both Durant and Star models. Gray is producing 100 daily and will increase this steadily to more than 200 daily by the first of the year.

Earl Motors, under the change in control, is outlining an extensive production for 1923 and is gradually increasing operations. Columbia has outlined a schedule of about 28,000 for 1923, on which it is now beginning. Liberty is arranging for its 1923 output and is operating on a regular winter schedule. Saxon is out of production pending completion of its financing.

It is thus apparent that the automobile industry feels warranted in making preparations for a very active year. The industry has been stabilized more or less on account of the regular increase in demand for cars of the closed-body type. The outlook, of course, depends on general business conditions and it may turn out that the hopes of the automobile manufacturers will not materialize to the extent expected. In any case, no matter how business in general turns out, the big and efficient manufacturers should have a profitable year. The small manufacturers will undoubtedly have a hard time of it, as competition will be very severe. This should give a good clue to oncoming conditions to the investor who is interested in this industry.



© *Ewing Galloway* **The Ford Motor Plant, Largest Automobile Factory in the World**

Railway Steel Spring Company

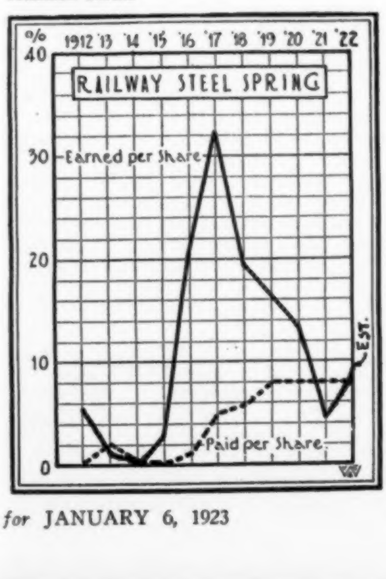
An Unusually Strong Balance Sheet

Asset Value of the Shares—Rate of Earnings and Business Prospects—Is the Stock Too High?

By FREDERICK LEWIS

RAILWAY STEEL SPRING is one of those fortunate companies that made large profits during the war and inflation periods and, being only moderately affected by the depression in 1920-1921, has been able to retain the major portion of its gains. In the seven years period ended 1921, earnings totaled about $113 a share on the common stock of which $36 a share was paid out in dividends. In this period, therefore, $77 a share was added to the value of the common stock through earnings put back into the property. Moreover, these surplus earnings were not placed in further plant expansion at inflation prices, a policy many companies followed to their cost, but are found in the balance sheet largely in cash and Government securities. Since 1914 working capital has increased over 7 millions and bonded debt of about 6½ millions has been eliminated. **All this was accomplished through earnings, the capital stock outstanding having undergone no change whatever.**

In 1921 Railway Steel Spring felt the general business depression as did most of the railway equipment companies. It fared better than many, however, as it does a big repair business and this was largely responsible for the $4.49 per share earned on the common in that year. As is well known there was a decided improvement in the equipment business in 1922, especially in the latter half and Railway Steel Spring has duly benefited. For the full 1922 year a conservative estimate is that $9 a share will be shown for the common stock.

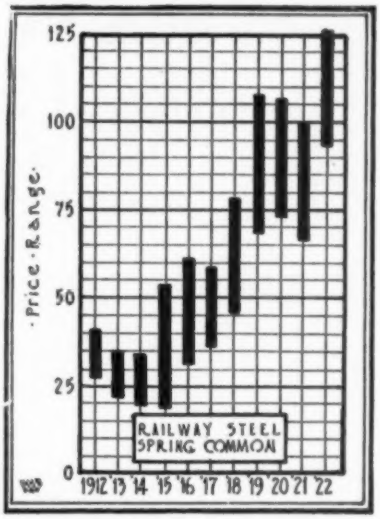


This company is the largest manufacturer in the world of steel springs for cars and locomotives, steel-tired car wheels, locomotive and car-wheel tires. The heavy traffic now being handled by the railroads of the country is naturally bound to increase the demand for this kind of equipment and the outlook is excellent for a good showing by the company in 1923.

Financial Condition

As of December 31, 1921, Railway Steel Spring had 7.8 millions of Government and other high-grade marketable securities on hand. In addition, the company showed a working capital of 4½ millions with ratio of current assets to current liabilities 7 to 1. In other words, at that time the company had over 7.8 millions on hand that it did not actually need in the conduct of its business. Under more active conditions in its business there might be use for another 2½ millions in working capital but hardly more than that. It would seem, therefore, that the company has a reserve of 5 millions that it would be justified in using for dividend purposes at any time. This is equal to nearly five years dividends on the common stock at the present rate of 8%. With earnings for 1922 sufficient to cover dividend requirements, outlook for 1923 indicating still better earnings and a large cash reserve, the present rate of 8% on the common stock rests on a very substantial foundation.

Railway Steel Spring was organized in 1902 and now owns eleven plants located at Detroit, Chicago, St. Louis, Pittsburgh, Philadelphia, Latrobe, Scranton, Pullman, Ill., Depew, N. Y., and Hudson, N. Y. Prior to 1915 the company had demonstrated a fairly consistent earning power but balance available for the common stock did not run very high. In the seven years from 1909 to 1915, earnings averaged $3 a share on the common stock and in this entire period only 2% was paid on the common. With no funded debt to pay interest on and a substantial return from its investments in Government and other bonds this pre-war earning power of its plants would be sufficient at the present time to cover the 8% dividend on the common stock with a small margin to spare. With anything like normal conditions in the equipment industry the company should be able to make its plants produce considerably larger profits than in the pre-war period as they have been improved in many respects and are undoubtedly capable of much more efficient operation than they were before the war.



Capitalization of Railway Steel Spring consists of 13½ millions 7% cumulative preferred stock and an equal amount of common stock of a par value of $100 a share. There is no funded debt or notes payable. Dividends on the preferred stock have been regularly paid since the organization of the company in 1902. The stock is entitled to a high investment rating as there are no bonds ahead and the net liquid assets of the company alone are equal to $92 a share. At present price of 117, however, this issue only yields 6% and is not particulary attractive at the price for there are many good preferred stock issues in just as sound an investment position that give a larger return on the investment.

As can be seen by the accompanying graph, the common stock before the war sold in a price range under 40. This makes the present level seem rather high, but the fact must be considered that $77 a share in assets have been added through surplus earnings and that this added value is largely in liquid form.

Conclusion

Railway Steel Spring is a splendidly managed company, is the dominant factor in its particular field, and there is every reason to take an optimistic view of its continued success in the future. The company's business is stable and over a period of years will run more evenly than in the case of maunfacturers of actual rolling stock and locomotives.

At present price of 117 the stock is 48 points above the 1921 low. In view of the fact that 1922 will not show anything unusual in the way of earnings, with only a small balance over dividend requirements, it is quite likely that under unfavorable market conditions the stock would decline considerably from these levels. From the viewpoint of a long-pull specvestment, however, the stock is not unattractive, although the writer would advise waiting for a better opportunity to purchase.

When Will Fertilizer Companies Again See the Light of Day?

Enormous Obstacles Confronted in Recent Years and the Situation To-day—Position of the Leading Securities

By JOHN MORROW

STRENGTH in cotton is ordinarily a bullish point on the fertilizer industry. The South, when it has adequate purchasing power, expends freely for fertilizer and takes a larger proportionate part of the products of the fertilizer manufacturers than other agricultural sections of the country. The South is going to get, or rather, is getting a satisfactory price for cotton this year, although the crop is relatively small. The value of the crops of the whole country for 1922 is estimated to be something like 1.8 billions in excess of the total of 1921, and, therefore, it is being assumed that the purchasing power of the farmer is greater, although the statement must be qualified, because the farmer in his primary markets does not sell at top prices.

A Period of Drastic Change

As a class, the fertilizer companies found 1921 particularly trying. Not only did the volume of business slump substantially but collections became very poor indeed. It was necessary for the leading companies to finance their floating debts and to use 1922 as a year in which to bend every effort to liquify their positions. In this they have been relatively successful. While earning power is not fully restored, the decline in the price of fertilizer to the farmer was more than offset by the decline in the cost of fertilizer materials to the manufacturers. Consequently, margin of profit apparently is on a more stable foundation than it was a year ago. Broadly speaking, it now seems as if the farmer in 1923 will have a greater purchasing power than he had throughout 1922. Nevertheless it does not appear probable that a fertilizer boom is in sight and at the present time there are no definite signs to indicate such an improvement in the position of the fertilizer companies as would warrant a substantial and sustained near future advance in the prices of their securities.

American Agricultural Chemical

Changes in Financial Position—When Will Dividends on Preferred be Resumed?

IT was not so many years ago that American Agricultural Chemical securities were regarded as among the substantial, conservative issues and among those regarded as representing fundamental progress in building up earning power and assets. Came the war and the earnings of the company virtually leaped forward, and for the six years begining with 1915 and ending with 1920, the per-share surplus for the common stock was each year in double figures.

The great change which has taken place in the position of the company since the middle of 1920 has not been due to the fact that the management suddenly lost its conservatism, or that it suddenly abandoned progressive ideas and embarked upon hazardous ventures. The bottom fell from under because the farmer of the country lost his purchasing power. Whereas in the fiscal year ended June 30, 1920, American Agricultural Chemical had earned over eleven dollars per share upon the common stock and had paid eight dollars, in the year ended June 30, 1921, operating income was less than 2 million dollars and a deficit of over 14 millions was shown after interest charges and dividends. In that year dividends of four per cent were paid in common stock.

The 1921 fiscal year was the worst. The year ended June 30, 1922, showed an operating income of over 5 million dollars and a net deficit of 1.1 millions for the year. During the year, the company thoroughly reorganized all departments, which reorganization is reported to have resulted in an annual saving in overhead of almost two million dollars.

During the last fiscal year competition in the fertilizer industry was very severe and sales are estimated to have been about sixty-five per cent of the tonnage of 1920. This is considered to have been satisfactory under the circumstances. In middle summer of 1922 there remained in the South a large amount of fertilizer accounts from sales of 1920 and 1921, but one-half of all the fertilizer used in the cotton belt in the spring of 1922 was sold for cash, instead of on the usual credit terms. A large part of the uncollected accounts carried over from 1920 and 1921 were expected to be in line for settlement during the past fall and in view of the strength in cotton it seems reasonable to say that the expectations must have been realized. The spring is ordinarily the big selling season for fertilizer and the spring of 1923 would seem to hold forth better promises for a profitable business than did the spring of 1922. Naturally this restoration of earning power is still in the future, although it will not be many months now before a rather definite line can be obtained on the extent of the hoped for improvement.

Change in Financial Structure

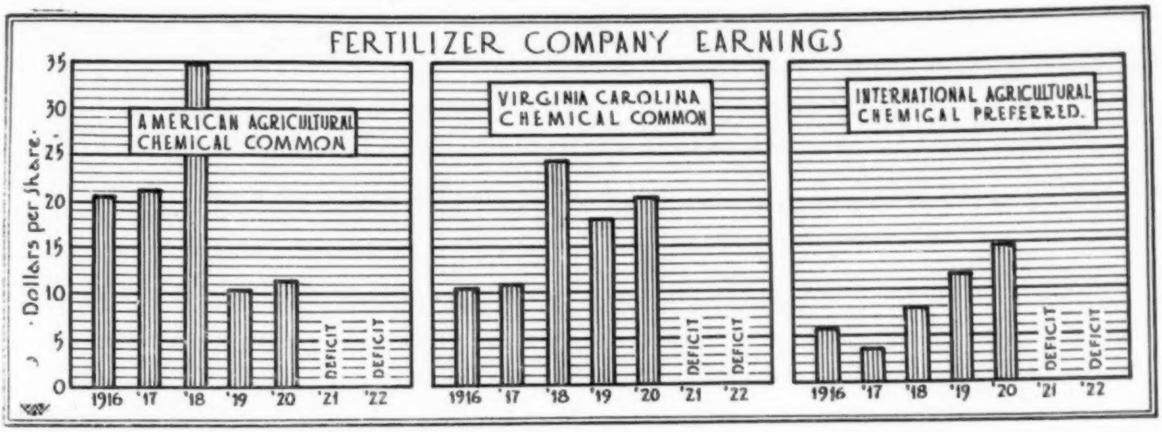
As was the case of so many industrial corporations during the period of business depression, American Agricultural Chemical had to resort to substantial borrowing, and that effect has been to increase capitalization. In 1916, total capitalization, including bonds and stocks, was between 63 and 64 millions. The present total capitalization is between 97 and 98 millions. The principal change was the issuance of 30 million dollars 7½% bonds, due 1941. The interest requirements on this issue are equivalent to over 6% on the present outstanding common stock.

Back in 1916 American Agricultural Chemical had total current liabilities of less than two million dollars against total current assets of over 32 millions or a ratio of about one to twenty. As of June 30, 1922, total current liabilities were 7 millions against current assets of about 54 millions, or a ratio of about one to seven and three-fourths. Nevertheless the situation showed an improvement over the year preceding. Notes payable had been reduced from 15.5 millions to less than 5 millions and accounts receivable from 25 millions to 19 millions. This accounts receivable item was still relatively large

THREE FERTILIZER COMPANIES

	Cash Dividends Paid on Common						Total Capitalization	
Calendar Years	1916	1917	1918	1919	1920	1921	1922	1916
Amer. Agr. Chem.	$4.25	$5.25	$6.50	$8.00	$8.00	*$4.00	$98,000,000	$63,400,000
Va.-Carolina Chem.	.....	3.00	†5½%	6.00	6.00	1.00	‡70,168,000	65,750,000
Int. Agr. Chem.	§.....	.....	$3.50	5.00	5.00	2.50	28,954,000	31,500,000

* Paid in common stock. † In 1918, including 2% in Liberty Bonds. ‡ Also 349,805 shares common; no par value. § On preferred.



at the end of the last fiscal year but it is reasonable to assume that it is of much smaller proportions now. As of June 30, 1922, profit and loss surplus stood at 1.5 millions against 18 millions two years before. The company deflated inventories to as low a point as was practicable and on June 30, 1921, wrote off over 5 millions on this account. This synopsis serves to illustrate the more important changes in treasury position. If the deflation after the armistice boom left scars, those scars were received owing to the circumstances over which the management had only limited control. Frozen credits, with capital letters, were primarily responsible and the road to complete recovery has been found to be rather slow.

Conclusions

At the present time American Agricultural Chemical has outstanding two bond issues, the first mortgage convertible 5s, due 1928, totaling 6.2 millions and the first refunding 7½s totaling 30 millions. The first mortgage 5s are convertible at par into 6% cumulative preferred stock. As no dividends are being paid upon the senior stock issue this conversion privilege has no present attractions. However, the bond issue is well secured by a first mortgage on plants and real estate, and may be classed among the good investment bonds. The 30 million 7½s are subject in lien to the first mortgage 5s and prior to February 1, 1926, are callable at 105. Although they are not an absolute first mortgage the company under normal conditions should have little difficulty in protecting the integrity of the issue and at under the callable price the issue may be recommended.

After paying dividends upon the six per cent preferred regularly from 1899, payments were suspended in April, 1921. At the present time accumulations amount to about 10½%. There is no present talk of the resumption of dividends and if an opinion may be ventured it would seem to be in favor of the statement that payments might be resumed sometime during last part of 1923.

The common stock paid dividends from 1912 to 1921 at varying rates, 8% being the highest in any one year. The question of dividend resumption is not a question of the near future and until earnings trend can be better ascertained the junior shares occupy an unattractive position.

Virginia Carolina Chemical

Investment Position of the Company's Bonds—Outlook for the Shares

OBSERVATIONS relating to the general state of the fertilizer industry, and the changes which circumstances dictated during the past two years, as pointed out in the discussion of American Agricultural Chemical, will also apply in a general way to Virginia-Carolina Chemical.

This company was going along at rather a slow pace through 1913, 1914 and 1915 and then traveled "on high" for the next five years, in which period a total of over $83 a share was earned on the common stock—then deflation and a deficit of over 20 million dollars in the 1921 and 1922 fiscal years. The fiscal year of the company ends May 31st. It is only fair to point out, however, that of this loss, almost 19 million dollars was suffered in the 1921 year. During the last three years the company has not reported gross sales, so that no accurate measure of the volume of business can be determined. However, it is established that from 1913 to 1919 inclusive, gross sales considerably more than doubled.

As has been pointed out, Virginia Carolina was in the same position as other fertilizer companies during the depression and deflation and the company did considerable financing, accomplished through the sale of 35 millions in bonds, and which apparently was for the purpose of liquidating a frozen credit position in inventories and accounts receivable, and this, in turn, was the result of the inability of the farmer to pay his fertilizer bills.

Back in 1916, Virginia Carolina had a stock capitalization of about 49 millions and a funded debt of between 17 and 18 millions. Including the 8% preferred dividends, charges ahead of the common six years ago were roughly 2.5 millions. At the present time funded debt totals between 48 and 49 millions. The preferred stock has not changed much, but the additional bond issues have brought the charges on earnings, prior to the claims of the common, to a total of over 4.5 millions, or an increase of two million dollars in six years—an amount which is equivalent to about $6 a share on the outstanding common stock.

The business depression made it necessary for Virginia Carolina to suspend dividends upon the preferred stock and upon the common stock. The preferred is an 8% cumulative issue upon which accumulations are now about 12%.

Bonds of Pertinent Interest

Perhaps the funded debt is of more current interest than the stock. The 11 millions, first mortgage 5s, are due December 1, 1923, and are now selling around par. Their position is well secured, but they are in the class of a short-term obligation, having only a year to run. The convertible 6% Debentures of 2.5 millions, are due in May, 1924. This issue is convertible into preferred stock at 110 and is not a mortgage issue.

The 22 millions first 7s, 1947, are secured by mortgage on plants and by stock of Southern Cotton Oil Co., a subsidiary. They are currently selling to return better than 7%, and if the fertilizer business improves, as is anticipated, the investment position ought to be bettered during this year.

The Convertible 7½s, 1937, are outstanding to the amount of 12.5 million dollars and at the time of issuance, each bond was accompanied by a warrant entitling the holder to purchase, at $35 a share, up to July, 1924, no par common stock at the rate of 2-6/7 shares for each $100 principal amount of bonds. These bonds, with warrants attached, are selling in the low nineties, and while they cannot be considered as a high-grade investment, possess a speculative attraction and at the same time earning power ought to protect interest requirements.

Until earning power improves, the

(*Please turn to page* 457)

American Woolen Company

What Company's Management Has Accomplished

Tariff and American Woolen—Financial Position and Prospect for Earnings

By FRED L. KURR

AMERICAN WOOLEN CO.	
Fixed Assets	$56,042,172
Net Liquid Assets	62,780,623
Total Capitalization	80,000,000
Assets in excess of capitalization	$38,772,795

MANAGEMENT, always one of the most important factors in judging the merits of an industrial stock, is of particular significance in the case of American Woolen, for in the textile industry a profitable or unprofitable year frequently depends entirely on the foresight of those at the helm. It is fitting, therefore, to start this article with a few words in regard to American Woolen management. In President William M. Wood, the company has a man who has reached his present dominant position in the textile industry through sheer personal ability, and under his guidance the business of the company has steadily been built up. Twenty-three years ago Mr. Wood was treasurer of the Washington Mills at Lawrence, Mass. He saw about him, scatterd about New England, scores of other woolen mills competing with each other and working under many handicaps in buying raw material and marketing the finished product. He saw the great advantage to be gained by the elimination of destructive small-scale competition and duplication of executive, purchasing, manufacturing and selling effort. Accordingly, after many rebuffs and discouragements, March 29, 1899, found Mr. Wood the newly elected treasurer of the American Woolen Co., just formed of eight formerly independent mills. Since its inception American Woolen has steadily grown and is now by far the largest manufacturer of woolen and worsted goods in the world, operating fifty plants with more than 14 million square feet of floor space and employing some fifty thousand people.

Two Wise Policies

Two outstanding policies of President Wood are, to treat employees well and give all customers a "square deal." These policies have at times resulted in smaller profits but undoubtedly have reacted to the ultimate benefit of the company. In 1922 this policy was well illustrated. American Woolen refused to lower wages of its employees in spite of the general reductions made in the textile industry. As a result the company avoided the disastrous strikes suffered by many New England mills which finally were obliged to reinstate the old wage scale. The well-known ability of President Wood as a wool buyer, enabled the company to accumulate large stocks of wool at favorable prices in 1921, and as the price of raw wool advanced about 70% in 1922, the company was in a position to take a very substantial margin of profit. Instead of doing this, however, prices of finished goods were held at a low level and the benefits of the company's foresight in the raw-wool market were shared with its customers.

Operations in November and December were at about 90% of capacity and there is now no question but that the company for the full year 1922 will show the 7% dividend on the common stock covered with a comfortable margin to spare.

Financial Position

The balance sheet of American Woolen is a very impressive document as regards financial stability. Total capitalization is 80 millions, consisting of half preferred and half common stock, and working capital alone is nearly 63 millions. In other words, the working capital is equal to par for the preferred stock and $56 a share for the common. The plant account is carried on the books at nearly 51 millions, and this is a decidedly conservative valuation as over 28 millions has already been charged off against plant account for depreciation. It is estimated that the replacement value of the plant is close to 100 millions. Taking the company's figures for plant and other investments, the asset value of the common stock is $197 a share.

The best test of a company and its organization is the record shown in a period of depression. Although the depression in 1920 and 1921 hit the textile industry particularly hard and resulted in the wholesale closing down of mills, American Woolen through satisfactory operations in the first half of 1920 and the last half of 1921, was able to pull through both years with a good operating profit. In 1921, 8.02% was earned on the common stock and in 1920, 6.44%, so that the dividend disbursements of 7% each year were covered in the two-year period with about a quarter of a million dollars to spare.

When it is considered that the company

FINANCIAL POSITION OF AMERICAN WOOLEN CO.

ASSETS	1918	1919	1920	1921
Cash	$12,560,225	$9,248,134	$10,310,393	$7,540,286
Accounts rec.	14,833,339	26,034,597	16,415,810	26,288,182
Inventory	37,521,106	52,990,146	43,977,405	40,621,118
Plants, etc.	30,680,719	39,917,483	50,541,538	50,781,767
Stk. pur. for emp.	....	....	4,999,758	1,109,339
Investments	4,731,183	4,983,683	375,951	5,260,605
Lib. bds., etc.	14,796,400	....	....	....
Defrd. chgs.	....	....	324,479	285,547
Total	$124,122,972	$133,174,043	$126,945,332	$131,886,844
LIABILITIES				
Pfd. stock	$40,000,000	$40,000,000	$40,000,000	$40,000,000
Com. stock	20,000,000	20,000,000	40,000,000	40,000,000
Notes pay	3,350,700	20,906,048	3,792,000	2,799,400
Coupon notes	....	....	1,000,000	1,000,000
*Accts. pay. etc.	20,714,316	7,330,235	2,142,933	7,702,897
Mortgages	....	....	2,335,000	2,302,500
Preferred div.	583,334	583,333	583,333	583,333
Common div.	1,250,000	350,000	583,333	583,333
Res. for div.	....	7,250,000	....	....
Depr. res.	14,500,000	....	....	....
Ins. & pens. res.	4,000,000	5,000,000	5,000,000	5,000,000
Surplus	19,724,622	31,754,427	31,508,733	31,915,381
Total	$124,122,972	$133,174,043	$126,945,332	$131,886,844

* Includes reserves for taxes and contingencies.

was loaded up with the largest inventories in its history in 1920 ($53,000,000), before cancellations from customers began to pour in, it can be seen that the management extracted itself from a very tight corner in remarkably fine style. From July 1920, to March 1922, the price of clothing decreased 42%, and there was a corresponding decrease in the price of materials held in American Woolen's inventories. Yet the company had to write off for inventory depreciation only 7½ millions in 1920, which was not taken out of earnings for that year as this amount had been set up as a reserve in 1919. It was not found necessary to write off anything for inventory depreciation in 1921. The high inventories accumulated before the decline in prices was not the fault of the management as orders actually booked were sufficient to have used up this inventory. Unfortunately in the textile industry orders are subject to cancellation.

There is a popular fallacy that a high protective tariff on wool and woolen goods is a favorable development for the American Woolen Co. On the finished goods, except on some of the very high-priced lines, the company has never had serious competition from abroad and the effect of a higher tariff is negligible. As far as raw wool is concerned a higher tariff is a rather unfavorable factor as it results in a higher price for the raw material which is passed on to the ultimate consumer. Boom conditions are by no means to be looked for in the woolen industry, but fair business is in prospect and American Woolen apparently faces a period of reasonable prosperity.

At present price of 108 the 7% cumulative preferred stock yields 6½%. As the working capital of the company alone is equal to $156 a share on the preferred and there are no bonds ahead, it is entitled to a very high investment rating and is an attractive investment at the price.

At the present time the 7% dividend rate on American Woolen common is quite secure in view of satisfactory earnings and the very strong financial condition. At the present price of about 95 the stock gives a return of 7.37%, which is attractive from an investment viewpoint. Unfavorable market conditions, however, may cause considerable price recession as a large percentage of this stock, due to the doubling of the amount outstanding in 1920 ($20,000,000 underwritten at 95), is probably still in speculative hands and likely to be sold if a weak market develops.

STOCK MARKET AVERAGES

On Oct. 18 the stock market reached its high point for the year with an average for 50 stocks of about 93. The ensuing decline, which was the biggest of the year, carried the averages down to about 80 on Nov. 27. After that date the market recovered, reaching a high of about 86 on December 26, declining to about 85 on Dec. 29. The most striking feature of these figures is that at no time since the break in October has the market been able to regain more than 50% of its loss.

Preferred Stocks React

Downward Tendency Results in Some Large Losses in Preferred Stock Issues

THERE were some surprisingly large movements in listed preferred stocks. The volume of transactions was small, so that no particular significance can be attached to the trend of these issues, but the fact that it should materialize at a time when investment demand is usually strong, is an interesting commentary on the uncertain position of the market as a whole.

Among sound investments listed on the Preferred Stock Guide, losses and gains were about equally divided. Practically all the railroad stocks in this group lost ground, whereas there were quite a few advances among the industrials. In the latter group, the following distinguished themselves by advancing: General Motors 7% debentures, Loose Wiles 1st preferred, American Can preferred and Endicott-Johnson preferred, the latter presumably being due to sympathy with the strong trend of the common stock of this company.

Among middle-grade investments, the tendency was almost uniformly downward. The most conspicuous losses in this group were sustained by the railroad issues, though the industrials were also very weak.

By comparison, the semi-speculative preferreds did much better, not a few of these issues advancing, while the more seasoned issues were declining. Among those to record the largest advances in this group were the following: Fisher Body, Pure Oil, Mack Trucks 1st preferred and Stern Bros.

PREFERRED STOCK GUIDE

Sound Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Cluett-Peabody	7 (c.)	101¾	6.8	4.5
2. General Motors (debs.)	7 (c.)	96½	7.2	(y) 5.4
3. American Woolen	7 (c.)	110	6.3	2.9
4. Loose-Wiles (1st pfd.)	7 (c.)	105½	6.6	3.5
5. American Can	7 (c.)	111⅜	6.2	2.2
6. Baldwin Loco	7 (c.)	114	6.1	5.4
7. Endicott-Johnson	7 (c.)	117⅜	5.9	(x) 4.0
8. Standard Oil of N. J	7 (c.)	116½	6.0	5.9
9. Allied Chem. & Dye	7 (c.)	112	6.2	(w) 4.5
10. Standard Milling	6 (n. c.)	93¾	6.4	4.6
PUBLIC UTILITIES:				
1. North American Co.	3 (c.)	45	6.6	(x) 5.0
2. Philadelphia Co	3 (c.)	42	7.1	5.7
RAILROADS:				
1. Ches. & Ohio (conv. pfd.)	6.50 (c.)	102⅛	6.3	(z) 6.6
2. Baltimore & Ohio	4 (n. c.)	57⅝	6.9	3.0
3. Chi. & N. W. (part. pfd.)	7 (n. c.)	114½	6.1	6.3
4. Colo. & Southern (1st pfd.)	4 (n. c.)	59¼	6.7	8.2
5. Reading (1st pfd)	2 (n. c.)	54	3.7	13.7

Middle-Grade Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Genl. Amer. Tank Car	7 (c.)	102¼	6.8	(v) 5.7
2. Assoc. Drygoods (1st pfd.)	6 (c.)	81½	7.3	2.7
3. J. Kayser & Co. (1st pfd.)	8 (c.)	101½	7.8	1.8
4. Brown Shoe	7 (c.)	99	7.0	3.1
5. Amer. Smelting & Ref.	7 (c.)	99⅞	7.0	2.5
6. Allis-Chalmers	7 (c.)	96¼	7.2	3.2
7. Beth. Steel (conv. pfd.)	8 (c.)	106¾	7.5	6.9
8. Bush Terminal Bldg	7 (c.)	98⅜	7.1	1.1
9. U. S. Ind. Alcohol	7 (c.)	98½	7.1	8.9
10. Natl. Cloak & Suit	7 (c.)	103	6.8	3.0
11. American Sugar Ref.	7 (c.)	108	6.4	1.8
12. Cosden & Co. (conv. pfd.)	7 (c.)	100¼	6.9	(x) 14.6
13. Sears-Roebuck & Co.	7 (c.)	108½	6.4	15.7
14. Cuban-American Sugar	7 (c.)	100½	6.9	8.0
RAILROADS:				
1. Pere Marquette (prior pfd.)	5 (c.)	76	6.5	3.3
2. Colo. & Southern (2nd pfd.)	4 (n. c.)	54½	7.3	7.2
3. Chic., R. I. & Pac.	7 to 6 (c.)	92	7.6	2.2
4. Pittsburgh & W. Va	6 (c.)	90	6.6	2.0

Semi-Speculative Investments

INDUSTRIALS:	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
1. Famous Players-Lasky	8 (c.)	98	8.1	(w) 6.4
2. Mack Trucks, Inc. (1st pfd.)	7 (c.)	92½	7.5	1.8
3. Worthington P.&M. ("A" pfd.)	7 (c.)	84	8.3	6.6
4. U. S. Rubber (1st pfd)	8 (n. c.)	96½	8.2	2.6
5. Fisher Body of Ohio	8 (c.)	97⅜	8.2	...
6. Orpheum Circuit	8 (c.)	89	8.9	3.1
7. Cal. Petroleum (part. pfd.)	7 (c.)	93½	7.4	(w) 2.6
8. Pure Oil (conv. pfd.)	8 (c.)	99½	8.0	6.0
9. Stern Bros.	8 (c.)	109	7.3	.8
PUBLIC UTILITIES:				
1. Market St. Rwy. (prior pfd.)	6 (c.)	69½	8.6	2.5
2. Amer. Waterworks (1st pfd.)	7 (c.)	86¼	8.1	(w) 1.5

(n. c.) Non-cumulative. (c.) Cumulative.
* Average for last five years. (w) Average for last two years. (x) Average for last three years. (y) Average for last four years. (z) Stock was issued this year. Figures represent number of times dividend would have been earned had stock been outstanding.

Outlook for U. S. Realty's Earnings

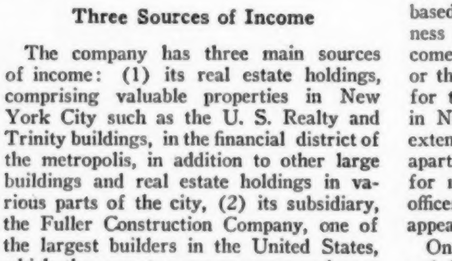
Company Resumes Dividends—Activities of Construction Subsidiary—Debentures to Be Called

By A. T. MILLER

IN the December 25, 1920, issue of the MAGAZINE OF WALL STREET, the writer called attention to the unusual position of U. S. Realty & Improvement stock, which was then selling around $40 a share, against an asset value of $118 a share, with annual earnings ranging, at that period, from $5 to $10 a share. Quoting from that article, the conclusion was that "the favorable outlook for the company seems to suggest that shareholders can reasonably hope for a share in the company's profits within a reasonable period." Last November, or under two years from the time when the above conclusion was stated in these columns, the directors placed the stock on a $6 annual basis. U. S. Realty stock is now selling around 87, having naturally advanced in anticipation of the dividend.

Three Sources of Income

The company has three main sources of income: (1) its real estate holdings, comprising valuable properties in New York City such as the U. S. Realty and Trinity buildings, in the financial district of the metropolis, in addition to other large buildings and real estate holdings in various parts of the city, (2) its subsidiary, the Fuller Construction Company, one of the largest builders in the United States, which the parent company owns and controls, and (3) various investments of the company, such as stocks and bonds of the Plaza Hotel and the New York Hippodrome. The company's buildings and other real estate form the main source of income.



Stability of Earnings

According to the April 30, 1922, statement, about 50% of U. S. Realty's gross income comes from real estate and the balance from its other investments, including the Fuller Construction Co., and stock and bond investments in other enterprises such as the Plaza Hotel and New York Hippodrome. The most stable part of these earnings come from its big buildings, earnings from stock and bond holdings being somewhat less stable and those of the Fuller Construction Company being the least stable of all.

Approximately 50% of the company's income seems more or less secure, as it is based on rents and the outlook is that business building rents in New York will not come down materially within the next two or three years. Probably the main reason for this conclusion is that building rents in New York were never inflated to the extent of other types of rentals, notably apartments and residences—and a demand for material recession in the rentals for offices and the like consequently does not appear warranted.

On the basis of earnings for the year ended October 31, 1922, net income was $3,113,419 after charges, depreciation and taxes. This would amount to about $18 a share on the 161,628 shares of capital stock outstanding at the time. With 50% of its earnings coming from real estate holdings, approximately $9 per share in the last fiscal year may be counted as income from such holdings, the balance coming from its other interests. Inasmuch as income from real estate is figured as being more or less secure, U. S. Realty should earn approximately $9 a share annually during the next few years, **without counting on its building subsidiary or its other investments.**

Estimating probable earnings on its building subsidiary and other investments, outside of real estate, is a somewhat more difficult matter inasmuch as it involves speculation as to probable activities of the Fuller Construction Company, whose volume of business has always fluctuated widely, and the other investments which are more or less directly dependent on general business conditions.

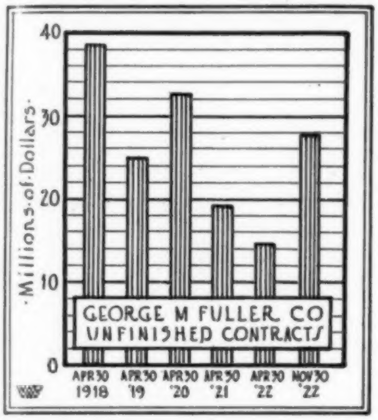
Trinity and U. S. Realty Buildings

From April, 1920, until the same month, in 1922, conditions did not favor great construction activity, particularly on the shipbuilding side, in which Fuller Construction Company was at the time interested. The result was that unfilled contracts fell from 32.6 millions in 1920 to about 14.5 millions in April of last year. The company, however, wisely liquidated its shipyards and is now mainly engaged in building construction which all through 1922 has been quite profitable. As reported in November, 1922, unfilled contracts stood at 27.8 millions, a gain of 13.3 millions from figures as of the previous April. The added volume of business would naturally account, to a considerable extent, for the increase in the parent company's earnings.

The shipbuilding business is not likely to be a profitable one for a long period to come and the liquidation of Fuller's shipyards must be considered an asset rather than a liability, leaving the company free to engage fully on the more lucrative building enterprises for which it has contracted. As to how long this type of business will continue to be highly profitable is difficult to foretell, but inasmuch as the company is mainly engaged in construction of buildings of large type rather than residences, and, inasmuch as there is still considerable heavy construction work to do, and since Fuller Construction as a leader is bound to get a good share of the business, it is a reasonable deduction that this end of U. S. Realty's business will continue to provide respectable profits for

some time to come, though they might not be quite on the present large scale. In the five months ended September 30, 1921, Fuller Construction returned net profits to U. S. Realty of $161,000, and in the same period of 1922 earned about $167,000. Calculating on this basis, earnings of about $30,000 a month, Fuller Construction should earn net profits during the current fiscal year of about $360,000, equivalent to about $2 a share, on the U. S. Realty stock. This added to the $9 a share already estimated as probable earnings from real estate holdings, would give the parent company about $11 a share on the capital stock.

In addition to this amount must be considered income from other investments,



such as the Plaza Hotel and New York Hippodrome, etc., which returned a net of $472,000 in the five months ended September 30 last. Calculating from this a yearly total of approximately 1 million, this would be equivalent to about $7 a share on U. S. Realty stock. Altogether, therefore, U. S. Realty should be able to earn about $18 a share annually.

Whether the company can maintain this high rate of earnings year in and year out is problematical, in view of fluctuations of Fuller Construction Company earnings and those coming from its investments. For example, in the five months ended September 30, 1921, outside investments of U. S. Realty brought in an income of $184,000, against the above mentioned figure of $472,000, for the similar period. Assuming that earnings from this source will continue to fluctuate in about the same measure, even the lower income should provide something like $3 a share on Realty stock. Assuming also that Fuller Construction will provide an average of only $1 a year on the parent company stock and that realty earnings will fall to as low as $6 a share against the current rate of $9 (as previously computed), the addition of the three items would bring at least $10 a share on U. S. Realty shares. This would be sufficiently ample to take care of the $6 dividends on the stock, as recently declared. It may, therefore, be taken as a reasonable certainty that the parent company will be able to take care of the dividend rate for an indefinite period, especially in view of the fact that the above computations have taken into consideration the extra-conservative bookkeeping methods of the company, which have deducted every possible item from gross earnings. In a less carefully managed concern, considerably higher earnings than those shown could have been exhibited before the gaze of the public.

New Financing

In anticipation of the calling of the $8,384,000 6% debentures which fall due July 1, 1924, the company recently authorized a new issue of 10 millions in 7% cumulative preferred stock, of which $8,081,400 will be outstanding, an amount practically sufficient to retire the bonds. The new financing, after the bonds are retired, will cost the company $565,698 in annual dividends on the preferred stock, against $500,000 in bond interest, an added cost of $65,000, which is an insignificant amount in view of the great advantage that will accrue to the company from having preferred stock outstanding instead of bonds. The new form of the financial structure of the company will hardly in itself have any effect on the present capital stock, which now, by virtue of the issue of preferred stock, becomes common stock.

Conclusion

After the bonds have been retired and preferred stock issued, the company's capitalization will consist of 8 millions, roundly, in 7% preferred stock and the same amount of common stock as now outstanding—16 millions. Net asset value of the common stock is now figured at about $94 a share in comparison with the market value of $87 a share.

It is thus apparent that U. S. Realty common is entitled to a good rating as a speculative investment. It has, however, enjoyed a very appreciable advance and though it may eventually sell much higher as the earnings of the company grow, it would be advisable to defer purchases until the stock can be had at considerably lower figures than those prevailing The new preferred stock, of course, when issued, will be a first-class investment.

Vivaudou's Prospects

Trend of Earnings—Contract With U. S. Industrial Alcohol—Position of the Shares

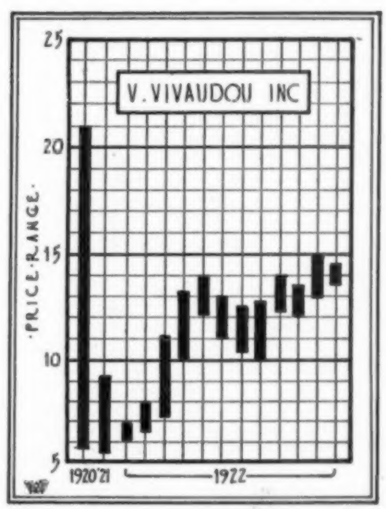
SUFFICIENT time since the founding of V. Vivaudou, Inc., has not yet elapsed to indicate whether the company can properly be considered among the ever-growing number of small but sound commercial enterprises. It has, however, demonstrated in the four years or so of its corporate existence that it is capable of earning fair amounts provided general conditions are favorable. In a period of depression, however, such as in 1921, it was not able to make a good showing. Nevertheless, it was a far better one than many other companies—some of them entrenched for a long time—were able to make.

Vivaudou is a manufacturer of perfumes, toilet waters, talcum powders, etc., and as such must be considered in the luxury class. Nevertheless, Americans have in the past shown that luxuries can be interpreted by them as necessities and for that reason it would not do to lay too much stress on what is on surface, Vivaudou's rather speculative type of enterprise. It is probable that in any year except one of unusually great depression, the company should be able to do something more than hold its own.

Though Vivaudou has grown from a small plant occupying one floor and basement to three plants with a total floor space of 142,000 feet, and also a factory and office in Paris, it is still a rather small affair comparatively and its earnings are necessarily not impressively large. In 1922, based on earnings which were reported for the first six months, Vivaudou probably earned $2.50-$3.00 a share, which is a great improvement over the year before when it showed a deficit.

Liquidation of Bank Loans

Among developments of importance last year two stand out particularly, outside of the actual improvement in earnings. One is the liquidation of bank loans and acceptances which have all been paid off with the exception of some small current bills. The second is the fact that arrangements were completed a few months ago between the company and U. S. Industrial Alcohol whereby the former will handle the distribution and sale of Alcorub on the entire Pacific



Coast. Alcorub is a growingly popular favorite medicinal used for "rubbing-down" purposes, and the like, and the new arrangement should result favorably to both companies.

On the financial side, Vivaudou seems to be in good shape. As stated above, it has no bank loans and is in a thoroughly liquid position. Thus, as indicated in the March 31 balance sheet (the last reported) cur-

rent assets amounted to 2.3 millions against 0.82 millions in current liabilities, a ratio of nearly 3 to 1. Net tangible assets amounted to about $5.50 per share on the 300,000 shares of outstanding stock which is the entire capitalization of the company. Since last March there has been considerable improvement of earnings, and consequently financial position is even stronger at present writing than it was nine months ago. Plants and other physical properties bring total asset value of the capital stock to above $8 a share in contrast with the present market of around $15 a share. Good-will enters into the balance but some value should be accorded this item in view of the extensive advertising of the company.

Dividend Outlook

Some talk has been heard recently about the probability of putting the stock back on a dividend basis. While this may be somewhat premature, another few months of good business should place the company in a position to consider the payment of a small dividend. Current earnings would justify payment of $1 per share.

At the current price of 15, however, such a dividend has already been partially discounted so that from a speculative viewpoint, Vivaudou stock is no longer as inviting as last summer when it sold at considerably lower levels and where it was recommended for speculative investment in these columns.

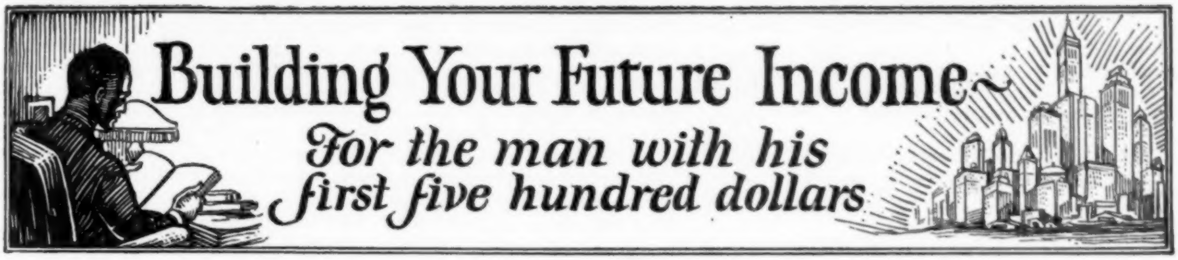
Industrial *Oil* *Mining*

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned per Share in 1921	Dollars Earned Per Share in 1922: First Quar.	Second Quar.	Third Quar.	Six Months	†Present Dividend Rate	Recent Price	Yield on Recent Price (%)	Remarks—
Allis-Chalmers	4.07	def.	0.04	0.62	0.01	4	44	9.1	Working capital, $24,000,000.
Ajax Rubber	def.	....	....	....	0.17	....	12	...	Deficit, 1921, $5,205,577.
Air Reduction	4.11	def.	1.51	1.18	2.76	4	60	6.6	Working capital, $3,240,000.
Amer. La France Fire E.	1.45	0.38	0.42	....	0.80	1	11	9.1	Working capital, $2,406,755.
Amer. Druggists' Syndicate	def.	....	....	....	0.15	....	6	...	1921 deficit, $883,568.
Amer. Hide & Leather pfd.	def.	def.	def.	2.13	def.	....	62	...	1921 deficit, $550,257.
Amer. Locomotive com.	*13.34	....	....	....	def.	6	126	4.0	Six Months' deficit, $1,841,780.
Am. Steel Foundries	0.13	0.54	1.35	1.17	1.89	3	37	8.1	Working capital, $13,125,532.
Butterick Co.	*5.23	....	....	....	2.07	....	18	...	Working capital, $3,000,000.
Central Leather	def.	def.	def.	0.44	def.	....	31	...	1921 deficit, $11,651,425.
Cluett, Peabody	def.	....	....	....	6.17	....	66	...	Working capital, $10,595,772.
Coca Cola	*3.29	1.58	4.17	4.57	5.75	6	76	7.8	....
Colorado Fuel & Iron	def.	def.	def.	def.	def.	....	26	...	1921 deficit, $2,731,172; 1st 9 months, 1922, deficit, $581,162.
Consolidated Textile	def.	....	....	....	....	....	11	...	12 months' deficit $757,058.
Corn Products com	9.21	3.47	3.36	3.71	6.83	c6	129	4.7	Working capital, about $35,000,000.
Endicott Johnson	10.79	....	....	....	5.55	5	91	5.5	Working capital, $19,000,000.
Famous Players	19.01	4.91	3.01	3.21	7.92	8	91	8.8	Working capital, $10,800,000.
General Motors	def.	....	....	....	1.33	0.50	13	4.0	Deficit for 1921, $38,680,770, after deducting $44,465,552 inventory loss and special reserves.
Gulf States Steel	def.	0.40	1.70	1.90	2.10	....	80	...	12 months' deficit, $731,915.
Hudson Motor	0.76	....	....	3.00	2.32	2	25	8.0	Nine months' earnings $5.32.
Hupp Motor	1.30	0.75	....	....	....	1	25	4.0	Working capital, $2,515,873.
Mack Truck com	def.	def.	3.63	3.25	3.53	4	56	7.1	12 months' deficit, after preferred dividends, $1,009,686.
Lee Rubber & Tire	0.08	0.92	....	....	....	2	26	7.7	Nine months' earnings, 1922, $1.85.
Midvale Steel	def.	def.	def.	def.	def.	def.	27	...	9 months' deficit, $3,348,802.
Otis Elevator	12.02	4.80	2.16	3.56	6.96	8	153	5.2	Working capital $11,000,000.
Owens Bottle	1.09	0.72	1.58	1.28	2.30	2	36	5.5	Working capital, $8,491,508.
Pierce Arrow pfd.	*def.	def.	def.	def.	def.	....	31	...	12 months' deficit, $8,963,712. Deficit 9 months, 1922, $339,969.
Remington Typewriter	def.	....	....	....	....	....	35	...	1st 6 months earned $7.93 on 1st pref.
Republic Iron & Steel com.	def.	def.	0.34	def.	def.	....	46	...	12 months' deficit, $7,415,000. Deficit 9 months, 1922, $764,376.
Stewart-Warner	2.19	0.95	3.00	3.45	3.95	4	76	5.3	Working capital, $6,000,000.
Stromberg Carburetor	1.08	0.40	2.56	2.09	2.96	4	69	5.9	Working capital, $1,000,000.
Studebaker com.	16.10	6.49	11.52	7.19	18.01	d10	140	7.1	Working capital, $30,000,000.
United Drug	def.	0.37	0.81	....	1.18	....	81	...	12 mos. deficit $3,636,326.
U. S. Steel com.	2.24	def.	0.96	0.98	0.88	5	106	4.7	Working capital over $500,000,000.
Vanadium	def.	....	....	....	0.04	....	34	...	12 months' deficit, $427,546.
Oils—									
California Petroleum	11.45	2.64	2.77	2.77	6.41	....	65	...	Working capital, $2,650,000.
Cosden & Co.	*0.17	....	....	....	6.59	4	53	7.5	Gasoline profits continue large.
General Asphalt	def.	def.	....	....	def.	....	48	...	12 months' deficit after preferred dividends, $1,115,372.
Houston Oil	‡0.4	2.16	1.00	1.00	3.16	....	71	...	Working capital, $4,350,000.
Mexican Petroleum	26.82	....	....	....	§44.06	16	300	5.3	Net current assets, $14,000,000.
Middle States Oil	4.15	0.77	0.78	0.71	1.55	1.20	12	10.0	Earnings before depreciation or depletion.
Pacific Oil	4.64	0.80	1.14	0.69	1.94	3.00	46	6.5	Earnings after depreciation.
Pan-American A	12.94	....	....	....	....	b8	91	8.8	Controls Mexican Petroleum.
Pierce Oil com.	def.	....	....	....	def.	....	4	...	7 months' deficit, $779,048.
Pure Oil	2.57	....	0.74	....	....	2	28	7.1	Working capital, $14,386,449.
Sinclair Consol.	def.	....	....	....	4.18	2	32	6.2	Net current assets, $50,000,000. 12 months' deficit after depreciation, $6,908,000.
Mining—									
American Smelting com.	def.	....	....	....	def.	....	56	...	Six months' deficit, $142,580.
American Zinc pfd.	def.	0.50	1.00	1.20	1.50	....	49	...	12 months' deficit, $260,101.
Chino	def.	....	def.	def.	def.	....	27	...	12 months' deficit, $1,314,204.
International Nickel	def.	def.	def.	def.	def.	....	13	...	12 months' deficit, $1,042,745.
Nevada Consolidated	def.	....	def.	def.	def.	....	16	...	12 months' deficit, $1,870,337.
Ray Consolidated	def.	....	def.	0.04	def.	....	14	...	12 months' deficit, $1,598,218.
Utah Copper	def.	....	0.48	1.04	....	2	65	3.1	12 months' deficit, $2,058,109.

† Dividend rate given covers regular dividends on yearly basis.
* After depreciation, taxes and inventory adjustments, etc.
‡ After deducting $1,034,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,875, equal to 4.5% on common.
§ Nine months ended September 30
b Stock dividend of 20% payable Feb. 8 to stockholders of record Dec. 29.
c $3 extra payable Jan. 20 to stockholders of record Jan. 2.
d Stock dividend of 25% paid Dec. 29.



We Are Shown How

OUR own Old Timer, who takes a paternal interest in everybody, thinks some of our recent effusions on the subject of thrift and income-building may have been a trifle too soft-spoken:

"Nice, pretty words are all right as a general rule," he enunciated. "Just the same, it's a good thing to put a little punch into your remarks now and then—ra'r up and shout and howl, mebbe even cuss a little bit.

"Take this business of accumulatin' money, now; You've been so pleasant and **gentle**"—we shuddered—"about it, it's a wonder if you haven't lulled people to sleep.

"Damn it! If you don't look out, people'll begin to just take you **for granted,** like they do telegraph poles, or automobiles, or other things they wondered about, once. Dig in! Start a little hair-tairin'! Wake 'em up!"

We asked the Old Timer for a sample of what he would have us say. He came back with a bang:

"Say this:

"Savin' money's not easy. It's hard. Damned hard. It takes a **man** to save money.

"What's more, it's confoundedly slow—slower'n buildin' the pyramids. You keep goin' at it for sixteen months, 'n all you've got to show for your sweatin' is a few hundred dollars—hardly enough to buy a little automobile with, even.

"Worse'n that, it keeps you grindin'—makes you do without a lot of things a young fellow wants, and which most young fellows nacherly believe they have a born right to.

"What's the use of savin', then?" The Old Timer paused, dramatically, for breath, and glared around him at an imaginary audience. Then, with his eyes narrowed, his fists outstretched and his teeth clenched, he resumed:

"The **use** of savin', girls and boys, is simply this: Because you've **got** to do it. And you've got to do it for a reason a lot like the one that makes you take regular exercise, or keeps you from overeatin', or drinkin' to excess. **You've got to save in order to keep financially healthy, just as you've got to control your appetite so as to keep physically healthy.**

"Nobody's goin' to take care of your body but you. And so, if you want to live a long time, and keep so you can enjoy a good dinner, or stand up under a man-sized hike in the country, or sleep o' nights, when you are old, you've got to live up to the rules of nature while you're young.

"In the same way, nobody's goin' to take care of your pocketbook but you. And so, if you want to have an income that will last a long time, if you want to always be able to pay for good dinners, or spare the time for holidays, or afford a decent bed to sleep in, when you are old, you've got to live up to the laws of finance while you're young.

"And the first law of finance is, 'SAVE IT, MY BOY, SAVE IT!' "

Solving Individual Insurance Problems

Meeting the Special Needs of Some Interesting Cases

By FLORENCE PROVOST CLARENDON

Tired of Paying Premiums

I have been interested in reading your articles in THE MAGAZINE OF WALL STREET *on Solving Individual Insurance Problems.*

I have an ordinary Life Policy for $50,000 in the Northwestern Mutual, taken at the age of 47, the income payable a year after my death to my three children in monthly instalments, until each arrives at the age of 50.

I am now 56 and dislike the thought of paying the premiums as long as I may live.

Can you suggest some other method that would be advisable, considering my present age, in retaining this kind of policy?—N. C. J., Haverhill, Mass.

I thoroughly sympathize with your viewpoint that it is undesirable to continue the payment of premiums on your policy into old age. Nevertheless, you have an excellent policy with the Northwestern Mutual, and your best procedure is to inquire of that company on what terms they would change your present contract so as to provide that premiums will cease either when you attain age 67 or before you attain age 72.

In order that the premiums may cease at age 67, you should have your present policy of $50,000 changed to a 20-Payment Life *as of the original age.* This would necessitate your paying a considerable sum, representing the difference between the 20-Payment Life and the Ordinary Life rate at age 47. Or, you could have the policy changed to a 25-Payment Life policy from age 47, in which case the last premium under such changed policy would be when you attain age 71. In that case, the difference in premiums would not represent any very serious cash payment, and doubtless the amount of it could very easily be charged against your policy if you did not wish to pay the amount in cash. Roughly, the difference between the premium you have paid and the premium for a 25-Payment policy is about $80 a year for $50,000 of insurance at age 47. This amount would be accumulated at interest for the 9 years your policy has been in force, but it would be diminished by dividend earnings.

There is yet another alternative: That you ask the company whether it would not be willing to allow your annual dividends to be accumulated and applied toward paying the later premiums under your policy.

In any case, you should have no hesitation in continuing your present policy under such plan as your company will recommend. They will give you good service and an equivalent value, whether you choose the one method or the other.

The Perfect Endowment Policy

Kindly give me your advice in the following matter:

I am 28 years old, married, and have one child 4 years old. I earn $250 per month. I am carrying $2,500 Life Insurance, 20-payment life, started 3 years ago, in the Equitable Life of New York.

I would like to take out $5,000 more at the present time and think the following policy would be quite suitable:

Columbus Mutual Life Insurance Co., of Columbus, Ohio. Perfected endowment Policy at age 60. Rate per $1,000, $37.03. Will be paid up within 19 years. Cash value, $438 per $1,000 after 18 years. After policy is paid up 4½% interest will be allowed on amount paid in.

If the policy I am considering, as above, is not first class, can you suggest something better?—H. R. F., Chicago, Ill.

You are wise to increase your insurance protection now because you are not sufficiently covered for the protection of your wife and child. In the event of your untimely death, medical and other expenses would materially diminish the proceeds of your present policy for $2,500, leaving an insufficient amount for the maintenance of your family for even a brief period.

The Columbus Mutual Life Insurance Co. was incorporated under the laws of Ohio in 1907. It has had a very fair and persistent growth, has a large surplus over capital and other liabilities.

The Perfected Endowment policy you outline in your letter, maturing to yourself as an endowment when you reach age 60, or to your beneficiary if a claim be made prior to that time, appears to be a satisfactory contract with that company. The only suggestion I would make is that (as you need at present all the insurance protection you can afford to carry to guard your family) you take one of the company's old age endowment policies with a longer premium-paying period—say with premiums payable up to age 60, or even age 65. The smaller premiums payable under such forms would enable you to carry a larger amount of insurance—say $7,500. instead of the $5,000 you contemplate.

For a Young Man of 20

What is the cost for a young man about 20 years old of a 30 years payment policy, or to exchange an ordinary life policy into the 30 years payment?

How long does an ordinary life policy run?

I have at present $10,000 ordinary life insurance, which I have carried for three years. My income runs from $200 to $220 a month. Every month I save from $100 to $110.—E. S., Chicago, Ill.

The cost in a participating company (one, that is, which allots an annual dividend to its policyholders) at age 20 for a 30-Payment Life policy is about $22 per $1,000 of insurance. The annual dividends could, of course, be used in reduction of this premium, or the dividends could be left with the company and accumulated at interest, payable as described in the policy.

The cost to exchange an Ordinary Life policy to the 30-Payment Life plan depends, of course, upon when the Ordinary Life policy was issued. If you will communicate with the company in which you carry your present Ordinary Life policy and advise them that you wish to make the change to the 30-Payment Plan, they will doubtless give you prompt and detailed information regarding the cost and manner of making the change.

You inquire how long the Ordinary Life policy runs. Premiums are payable throughout the life of the policyholder. But, under a 30-Payment Life policy taken at your present age (20), all premiums would be paid up when you attain age 50.

I wish to congratulate you upon your achievement in saving practically half of your income every month. If you persist in this good work and invest your savings in a safe and conservative manner, you will lay the foundation for a comfortable income from your savings in early middle life with the certainty of an independent old age.

It occurs to me that the $10,000 policy you now hold may be carried with the War Risk Bureau, and that you may be an ex-service man. In such event, you know, of course, that you are obtaining insurance at a much lower cost from the Government than would be possible if it were taken in a private company.

Take Out More!

I have been reading your advices on insurance problems with much interest.

I am 26 years old, married, and have three children. My income is $1,800 a year. I carry the following insurance policies:

		Appx. Cost
$1,000	Metrop. 20 Pay't	$23.00
1,000	Metrop. 20-Pay't	30.00
1,500	Metrop. Endow't, Age 85.	24.00
1,500	Illinois Life 20 Pay't...	49.95
1,000	Hoosier Casualty	24.00
....	Aetna Inc. Ben'ft.......	20.00
		$170.00

My life policies, except one, carry total disability features and double indemnities which would increase my insurance $4,000 in case of accidental death. The total disability features of both life and health and accident policies gives me an assured income of $1,600 per year for the balance of my life in case of total disability. The last-named accident policy is uncancellable on part of company. It pays nothing in case of death but pays $100 per month for life in case of total disability.

In your opinion am I carrying too much insurance? If so, which policy should I drop?—C. H. W., Goshen, Indiana.

I note that you carry $5,000 in life insurance policies for the protection of your wife and three children. In viewing your life insurance estate, it is well to disregard the additional amount which is payable in event of accidental death under the "Double Indemnity" feature. This Accidental Death Benefit, of course, adds an increased value under certain conditions. Deaths by accident, however, are proportionally small in relation to the principal causes, and it is well for the family man to build up his insurance with the idea of protecting his dependents in event of his death at any time *and for any cause.*

The total amount accruing to you from both Life and Health and Accident policies you now hold will provide a modest income in event of your total and permanent disability. The insurance protection of $5,000 payable in event of your death would, however, yield an income of but approximately $250 or $300 a year if conservatively invested in good securities at the rate of 5% or even 6% per annum.

I would suggest that you not only continue to carry your present policies, but that you increase the amount as soon as you can. Doubtless your own income will grow, as you are at a time of life when your business value will steadily increase. And with your salary increases your family's standards of living will be heightened. At your age (26) you could obtain a 35-Payment Life policy in a participating company at an approximate annual premium of $23—reducible by dividends. This form of policy would leave your old age free from the burden of payments, since premiums would be paid up on your attaining age 61.

HOW TO FIGURE COMPOUND INTEREST

Gentlemen: Will you kindly advise me of the formula for computing compound interest?—G. R. K., Nashville, Tenn.

An accepted formula for computing compound interest is:

$$S = CQ^n$$

where:

S=the accrued amount
C=the original capital
Q=the unit ($1) plus 1 year's interest
ⁿ=the period of years.

PROOF:

The sum of $100, invested at 6% compound interest, will amount to $119.1016 at the end of three years, as shown by the following arithmetical solution:

$100.00	
6%	
$6.00	Interest first year
$100.00	Add capital
$106.00	Capital at end of first year
6%	
$6.36	Interest for second year
$106.00	Add capital
$112.36	Capital at end of second year
6%	
$6.7416	Interest for second year
$112.36	Add capital
$119.1016	Capital at end of third year

Worked out according to the formula, $S=CQ^n$, where:

$S=\$119.1016$
$C=\$100$
$Q=\$1+.06=1.06$
$n=3$

$S=CQ^n$, $\$119.1016=100+1.06^3=\$119.1016$

If your work calls for much figuring of compound interest, we suggest that you obtain a copy of Zaldari's "Annuities and Amortization Tables" (Bankers Encyclopedia Co., N. Y. C., $15.00), which permits you to determine the effects of compound interest on any sum at a glance.

THE wise investor considers every proposed investment a dangerous snare until it has been proven a legitimate opportunity.

Points for Income Builders

Meaning of "Municipal Bonds" and Other Often-Heard Financial Terms

"MUNICIPAL BONDS" is a name which sometimes means just what it says, i.e., bonds issued by municipalities, or cities. Often, however, the term is loosely used in referring to bonds issued by political subdivisions as a whole. When state bond issues, municipal bond issues and county bond issues are being discussed as a class, they are often grouped under the technically incorrect heading "Municipal Bonds."

In the effort to coin a word which would properly cover all bond issues by political subdivisions, and thus avoid the misuse of the word "municipal" a member of the staff recently suggested "Political Bonds." When the divisions issuing them as a whole are to be referred to, it was suggested that they be called "Politicalities."

"Political Bonds" are, as a class, given a very high investment rating. This is principally because, back of them, there are the taxable resources of the "politicality;" and these, in relation to most such issues, are practically infinite. An additional attraction to large investors is the feature of tax-exemption, which all such securities enjoy.

That this tax-exemption advantage can become a disadvantage has been indicated in recent months: Encouraged by what really amounts to a Governmental subsidy, some of our "politicalities" have plunged in the financing market very heavily, and competition has been correspondingly keen. Hence the spectacle of "political bonds," for all their tax-exemption and their high investment rating (as a class) enforcedly offered on bases of as high as 6%—or higher than many corporations would have to pay.

In no field can judicious discrimination be more wisely applied than in this municipal, or "political" bond field.

E. & O. E.

These mysterious hieroglyphics, seen on brokerage statements, stand for "Errors and Omissions Excepted," constituting a form of insurance against inadvertent clerical errors. The expression was twisted around into a New Year's resolution in our last issue, when it was suggested: "Let 1923 be another 1922—with errors and omissions *avoided!*"

Long Pull

When an investor buys a share of stock, or a bond, he does so with the idea of holding it for a long period of time, for the sake of the income it will produce.

When a speculator buys a share of stock, his intention is to hold it only for a comparatively short time, for the sake of the enhancement in principal which he hopes it will produce.

The investor is said to buy "for the *long pull*" and the speculator "for the short swing."

Annuity

A bequest, generally payable to a beneficiary in equal and regular instalments.

Inventories

A manufacturing corporation (for example) needs raw materials from which to produce its articles. Thus, before a shoe company may begin operations it will need ample supplies of leather; before an automobile company may begin them, it will need ample supplies of iron, steel, leather, aluminum, etc. These supplies form the "Inventories" and are grouped together as an asset (properly at market value) in the corporation's balance sheet.

The amount of inventories held by a given corporation at any one time is adjusted to meet the situation and outlook as the officials of the company in question see it.

Non-Cumulative

To give an issue of preferred stock an added appeal to investors, the directors of a corporation will often make the security what they call "cumulative" as to dividends.

Such a preferred stock is much like a bond, in that dividends must be paid upon it out of earnings before any portion of those earnings may be distributed upon junior securities. If dividends upon a cumulative issue are, for any reason, passed when due, they become an obligation of the corporation; and they continue an obligation until discharged. Thus, it sometimes happens that a preferred stock, which has not received its full quota of dividends over a period of time, will have 20 or 25% or more in "back dividends" due upon it, which dividends must be paid, or satisfactorily discharged, before any of the company's earnings may be disbursed as dividends on the common (junior) stock.

When preferred stocks do not enjoy this cumulative feature, of course, they are called "non-cumulative."

It's a Good Thing to Know—

If You Are Traveling a Great Deal—

Investors who have to spend much time on the road are unable to give the necessary time and attention to their security holdings and other investments. As a result, they frequently find themselves "out of pocket," through no real fault of their own.

Thus, there have been numerous instances where men who became entitled, as stockholders, to certain stock subscription privileges (or "rights") have not heard of the development until after the rights' expiration; they thereby lost a profit opportunity.

There have been other instances where travelers have been away, and stayed away, for some months after some bonds of theirs had been called for redemption. Interest payments, of course, cease on called bonds. And so, these traveler-bondholders have been "out of pocket" the amount of interest they might have had had they been on hand to re-invest the proceeds.

For such people as these it is a good thing to know that the trust companies, or the trust departments of our national banks, are equipped and willing to act as custodians of investment holdings on behalf of investors. When security affairs are placed in the hands of such organizations as these, losses due to absence or misinformation or lack of information don't occur.

If You Are Making a Will—

Next to having your will drawn up by a competent lawyer so as to assure its terms being carried out as you wish them to be carried out, your most important duty to your estate is to name a competent and reliable executor.

If you content yourself with the old-fashioned plan of naming some friend or acquaintance, all the care you take in drawing up your will may go for nothing. Executorship is a technical responsibility. It calls for much experience in affairs of the kind. It calls for the utmost integrity. It calls for good health, a sound mind and probity of the highest sort.

Of course, the person you think of naming as your executor has, in your opinion, all these virtues. But what assurance is there that he will continue to have them?

Frequently persons named as executors become incompetent before their duties begin. Or else they prove to have been incompetent all the time. Or else it is purely a lack of experience that handicaps them. Not infrequently they prove unworthy of their trust.

It is a good thing to know that you can avoid all risk in this connection by appointing a trust institution as your executor. In that event, you can rest assured that your wishes will be carried out in the most expeditious manner, by men who, since they make a profession of this kind of work, are familiar with all the many technicalities involved and who therefore warrant your fullest confidence.

It is an equally good thing to know that your estate does not have to be a large one in order to make this trust company-executor plan suitable for you. Indeed, the smaller your estate, the less loss it can bear, and the greater skill and probity it needs to be handled with.

THE three greatest tragedies of life: Motherless Childhood; Homeless Manhood; Fortuneless Old Age.

A Warning to Home-Owners

Something to Guard Against Before Selling a Mortgaged House

By "A. W. B."

A COMMON experience among people so fortunate as to own their own homes, or who have occasion otherwise to buy or hold real estate, is that of executing a mortgage bond, to secure a part of the purchase price, or to insure the repayment of a loan. The execution of such a bond is, in fact, regarded as one of the commonplace details of real estate transfers. When I bought the home that was once mine, I executed such an instrument, with no thought that my act had any deep significance for myself or my children, beyond the likelihood of losing my home, if I failed to meet the payments on the mortgage. It never occurred to me that, after I myself should have sold the house, the obligation would still live to threaten my future. Still less did I dream that, after I was dead and gone, my family might be pursued by the dread spectre of debt and the home that I had left be lost to them, because of a mortgage bond to which I had once put my name.

No such dire consequences followed from the mortgage bond that I gave on the purchase of our home, for I was able, with the help of my wife, to meet the payments, and in five years held the property free and clear. The mortgage bond of which I have to tell is one that I never executed, from which I never derived a dollar of benefit, which was in no way concerned with the property I owned, and of which, in fact, I never knew, till the hand of the law was stretched out, and took my home in satisfaction of it. The result seemed to me at the time grotesquely cruel and impiously unfair, and yet, as I have thought more of it, and have gotten farther away from the agony of the event, I have been obliged to admire the cold logic of the law and to admit that, in this instance, no step was lacking to a perfect sequence, in the train of reasoning that led up to the catastrophe at my doorstep.

The Original Transaction

Many years before I was born, my respected grandfather was concerned with a real estate transaction of considerable magnitude. He bought a large, newly erected warehouse in one of the principal business sections of the city, a section that was then in the midst of a period of active development. Being a man of modest means, my grandfather was able to pay only a fraction of the purchase price in cash. In fact, he bought it as a speculation, and after putting into it all his available cash, he was obliged to give back a purchase money mortgage, accompanied by his personal bond for twenty thousand dollars, over two-thirds, I am told, of the somewhat inflated figure at which he bought. My grandfather's judgment, however, was in this instance vindicated and in due course he resold the property, at a price that yielded to him double the amount of cash he had himself invested. This deal was, indeed, the foundation of the inconsiderable estate that he was able to accumulate during his life and to leave behind him at his death. He sold the property, subject to the mortgage that he had placed on it. Thereafter he probably treated the transaction as closed, so far as he was concerned, and never gave it another thought.

> **WHO IS "A. W. B."?**
>
> **In previous issues home-owning articles of more than passing interest have appeared over the initials "A. W. B."**
>
> **It will interest our readers to know that these initials cover the identity of a member of a prominent law firm in New York City, and that the articles themselves represent the actual experiences of some of his clients.**
>
> **For sake of clarity, the articles are presented in the first person.**

Years later my grandfather died and, in the distribution of his estate, there fell to my father a sum somewhat in excess of fifteen thousand dollars. It does not concern my narrative to speak of his fortunes, other than to say that, in the course of events, he too was gathered to his rest, and passed on to me the nest egg left by his father, moderately increased in amount. A portion of the sum which came to me in cash, I used toward the purchase of a home, and five years later, when the mortgage had been paid off, my good wife and I celebrated the event by a little ceremony, in which we burned the mortgage and the bond that accompanied it, while I added a small personal surprise of my own to my wife in the shape of a deed of the house as a gift to her. Now, I said, whatever may happen to me, she at least will never be without a home. Little did I know the awful power of the law to search out the goods of a debtor and follow them into the hands of his beneficiaries.

In the seventy years that had elapsed since my grandfather gave his bond, to secure the payment of twenty thousand dollars on the purchase price of the warehouse he once owned, the character of the neighborhood in which it stood had undergone material change. The movement of business uptown had left it in a quarter of declining values, surrounded by vacant and unproductive property, and yielding an ever diminishing return. In all the changes of ownership which seventy years had brought to it, it had been passed on from owner to owner, subject to the original mortgage of twenty thousand dollars. Successive owners had paid the interest on the mortgage, but had never cared to reduce or satisfy it. The mortgage itself had passed through many hands, and, at the date when my tale becomes most interesting, it was owned by a widow, to whom it was practically a sole resource for the support of herself and the education of a family of small children.

One day the warehouse burned, and then it was discovered that, through some mistake of an insurance agent, the insurance had lapsed a week before the fire. This left the widow with a lot, worth a few thousand dollars, covered with a heap of blackened rubbish, as the sole security for her mortgage. At the same time, it was found that taxes for four years had been allowed to accumulate against the property. The widow, unused to business, had not understood that she needed to concern herself with the taxes or insurance on the property. In these desperate straits, she consulted an able attorney, who examined the ancient bond bearing my grandfather's faded signature and forthwith bestirred himself to find some responsible person who could be held for a deficiency judgment on the foreclosure of the mortgage. In the course of his search, he happened upon myself.

Less fortunate, or less able than my father, I had been unsuccessful in business and had been obliged to claim the benefit of the bankruptcy act. The home which had been given to my wife long before my financial difficulties arose could not, of course, be touched by my creditors, and I was now working for a salary and living with my family in the house of my wife. I frankly acknowledged, what I could not have successfully denied, my obligation to my father and my gift of the house

AS the Scotch have it: A wasteful wife is a woeful widow! Revised: A wasteful youth is a miserable old man.

to my wife. The record of the Surrogate's Court told the story of my father's inheritance from my grandfather and his legacy to me. In due course, I, as the beneficiary of my grandfather's estate, though twice removed, and my wife, as the recipient of my bounty, were made defendants in an action to foreclose the mortgage and a deficiency judgment was demanded against us, up to the amount of fifteen thousand dollars, received by my father from his father's estate, by him bequeathed to me and by me given to my wife.

Inexorable Logic of the Law

I was sorry for the widow, whose estate had been wiped out, but I had a family of my own to consider, and I did not feel that I could blame myself for her misfortunes, since I had never heard, either of them, or of the first occasion thereof, until they were forced upon my notice. I engaged an attorney and defended the suit, but the logic of the law was inexorable. My grandfather when he died was obligated on his bond, and his estate continued in equity, the court said, to be so obligated, in whosesoever hands it might come. That fifteen thousand dollars of his estate had come to my father, there could be no doubt. It was clear also, that my father had kept and added to that sum and had passed on to me the whole of the original amount, with the increase thereof. That very sum I had in turn invested in the house, so that in the hands of my wife, who had paid nothing for it, it stood as the present and substantial embodiment of the estate of my grandfather. The court rendered a judgment against us for an amount sufficient to make good the mortgage and unpaid taxes on the property and that judgment became a lien on our home. It was sold on execution and, I am glad to say, the estate of the widow was not in the end substantially impaired. My own family still had my earnings to support them, and the outcome was perhaps after all not so outrageous, or unjust, as at first it seemed to us.

The lesson, however, of our experience, it needs no lawyer to formulate. **If ever you need to give a mortgage on real estate, secured by your personal bond, pay it off when you sell the property. If you cannot do this, go to the owner of the mortgage and get from him a release of your personal liability, or let the buyer borrow money to pay it off and give a mortgage secured by his own bond, for the amount of his loan. But never, never, under any circumstances part with the ownership and control of a piece of real property, and leave behind you the obligation of a personal bond, to plague you or the innocent beneficiaries of your natural bounty in the years to come.**

Five Bonds for Income Builders

Some Definite Recommendations

Company	Bond	Maturity	Cost Per $100	Annual Income	Yield to Maturity
Pere Marquette	1st 5s	1956	$97.00	$5.00	5.18%
Philadelphia Co.	1st 6s	1944	100.00	6.00	6.00%
Detroit Edison	Ref. 5s	1940	95.00	5.00	5.45%
Amer. Smelting & Refining	1st 5s	1947	93.25	5.00	5.52%
Brooklyn Edison	1st 5s	1949	96.75	5.00	5.23%
Total			$482.00	$26.00	

Annual income yield: 5.43%.

UNDER the heading, "A Sure Way Up," the last issue of the BYFI Department analyzed a method of investing savings which had the merit of keeping *all* savings *always* at work at a good rate of interest.

The article was directed toward those capable of storing up something less than $700 a year—or about $60 a month, or about $15 a week. In effect, it said:

"Save and invest on a 6-month basis—that is, save for 6 months, and invest the proceeds, then save for another 6 months and invest those proceeds, adjusting your savings in such a way *that you will always be able to invest the full capital, plus accruing interest.* Let the savings bank be the place for your savings to accumulate. Let higher grade bonds, to yield about 6%, be the medium of investment."

The article went on to show how, by following this plan (on a 6% basis, compounded semi-annually, throughout) the Income Builder could amass:

In 5 years	....	$4,100
" 10 "	....	8.800
" 15 "	....	15,300
" 20 "	....	24,100

So much for theory.

The Builder who decides to inaugurate this investment plan (and the first week in a new calendar year is an auspicious time for such beginnings!) will wish, first of all, to know what bonds to purchase at the present time. And, unless he is "steered straight" in this fundamental matter, he might better not inaugurate the plan at all.

In the effort to meet this problem, the BYFI Department has recently combed over the bond list, searching for just the right securities to recommend at this particular time.

Obviously, the securities selected would have to meet three chief requirements: They would have to be available in $100 form. They would have to represent a highly successful company, engaged in a satisfactorily stable and secure line of business. The yield derivable from them would have to approximate 6%.

Meeting the Requirements

These requirements, as market students well know, are not easy to satisfy. An outstanding obstacle was—and is—the fact that so few of the income-building-type of bond are to be had in as low as $100 lots. Those U. S. Steel Sinking Fund 5s of 1963, for example—the highly dependable security which our neighbor the Bond Department once described as "a bond for widows and orphans." The smallest amount of these bonds one may purchase is $1,000 worth (face value). Which, of course, immediately debars them from consideration. The same is true of the debenture 5s of the General Electric Co. An A-1 bond, but only to be had in $500 pieces. Bond after bond after bond has the same story to tell. One is reminded of Ralph Rushmore's recent suggestion that high grade bonds of this "unreachable" type be bought up in large blocks, trusteed, and made collateral for issues of $50 pieces. For certainly until something of this sort is done the Income Builder will continue to be up against a grave handicap in the shape of this high-denomination situation.

In respect of the other two requirements—successful company and reasonably high yield—more difficulty is met with. In past months, Income Builders have seen a substantial upswing in bond prices, and, as they well know, the amount a bond will yield declines proportionately with the amount that bond advances in price; hence, the bond-seeker now confronts a market where practically all of the higher-grade issues are selling to yield less than 5%, and in not a few cases the yield is nearer to 4.50%.

The Recommendations

Persistence has a way of getting results, however, and it did not fail us here. The effort to unearth a handful of bond securities which would meet the requirements specified was finally successful, giving the results shown in the accompanying table.

Here are five bonds, all of them available in as low as $100 pieces. In each case, they represent companies of leader quality. Also, they rank high among the obligations of the corporations, and interest requirements upon them have been well covered in the past.

The offered yield in this group is also good, considering the character of the

(*Please turn to page* 461)

DESTINY takes care of your growing older each day. But only you can take care of your growing richer.

The Staircase to Success

How the Income-Builder May Mount Toward Financial Independence

(This is the eleventh article in a series intended to give practical aid to the conservative but enlightened Income Builder)

THE last article of this series dealt with three investment policies which have been found reliable and productive by Income Builders in the past, and which might well be put into effect at the present time. No one of these policies was analyzed exhaustively, but enough was said to show how each one is applied, and what opportunities it offers.

Carrying on from our description of "policies" it now seems timely to go into a description of "medium." What are the typical security-classes which are suitable for use in the policies described, or for any other income-building campaign? What do these classes offer investors in the way of (1) interest return, (2) security? By what sort of institution are they dealt in?

Alongside of this printed matter there is an imaginative decoration. It bears the title "The Staircase to Success." This decoration merits the close study of every Income Builder, young or old. In as graphic style as this writer, at least, is capable of picturing the investment field, this decoration shows what the investment groups are which are most ideally suited to the Income Builder's needs, and how they compare in respect of preferability.

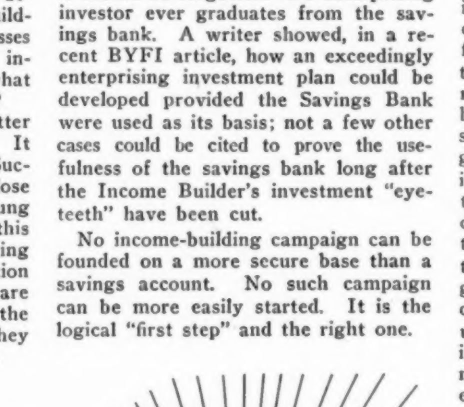
The First Step

The first step on the "Success Stairway" is given over to the Savings Banks. Revolving this selection in our mind, there seems no angle from which it could be soundly combatted.

The savings bank is the one outstanding medium which offers the highest degree of safety with regard to the amount of money that can be set aside. Also, the savings bank is about the only investment institution which the inexperienced Income Builder can afford to trust *blindly*. We mean just that. The savings banks all over the country are controlled by the most rigorous laws. They are under the constant surveillance of examining officials of the various states. The name "Savings Bank" cannot be applied except to institutions operating under the savings bank laws. Hence, wherever a Builder finds such an organization there he may go, without any hesitation whatsoever, secure in the assurance that his funds will be completely and honestly guarded and that, whenever he elect, he may draw out what he shall have deposited (subject only to the usual 60-day clause, which only a colossal revulsion could bring into operation). It may be true that some savings banks pay higher interest than others; it is absolutely true that one New York City institution we know of follows a particularly favorable policy with regard to crediting interest on newly-formed accounts; and it might be contended that the Income Builder should discriminate among them in these respects. But it is generally understood and agreed that Savings Banks are essentially mediums for the accumulation of capital, rather than for interest accumulations, or automatic growth of principal; and so the objections cited, while theoretically just, may, we believe be ignored.

Incidentally, the fact that the savings bank is shown as the logical first step for the Income Builder is not intended to convey that, once it has been so used, it should be forgotten. No enterprising investor ever graduates from the savings bank. A writer showed, in a recent BYFI article, how an exceedingly enterprising investment plan could be developed provided the Savings Bank were used as its basis; not a few other cases could be cited to prove the usefulness of the savings bank long after the Income Builder's investment "eye-teeth" have been cut.

No income-building campaign can be founded on a more secure base than a savings account. No such campaign can be more easily started. It is the logical "first step" and the right one.



The second step on our Success Staircase is alloted to Government securities. So far as treasury certificates are concerned, they are not much removed from the savings bank account, in point of security. In fact, the banks will accept them as deposits in such accounts, and the current rate of interest return—4%—is comparable with the interest rate most savings banks will pay. If anything raises these treasury certificates above the savings bank level it is the fact that, by subscribing to them, the investor contributes, in some measure, to the necessary financing of the Government that protects him.

The certificates will pay 4% interest, as said. They may be bought at any Federal Reserve Bank, or Post Office, or by application to the Treasury Department at Washington.

The long-term securities of the Government bear a somewhat different relation to the average income-building campaign. For, while they are secure in respect of the maintenance of interest and the repayment of principal in full at maturity, nevertheless they can be, and are, subject to considerable fluctuation in market value. (Witness the 13-16 point post-war decline, whereby many inexperienced investors, who had been led, through laudable patriotism, to subscribe to the Liberty Bonds when originally sold, were forced to sell their holdings at considerable loss. It is unquestioned that these one-time holders are now disgruntled at the thought of the losses they so needlessly sustained. In fact, those who have kept an ear to the ground have heard no little cynical comment in recent months, based on the unfortunate experience of these new investors who "took their first investment beating at the hands of the Government."

It is because Government bonds are subject to fluctuation in market value, although entirely "above suspicion" as regards repayment of principal and maintenance of interest, that they are given a secondary place on our Staircase to Success.

For the Income Builder who is fully awake to the risk, however slight, and withal affecting only the market value, of Government bonds, it may be noted that they are purchasable through your banker or through any reliable investment banking organization, at prices to yield from 3.45% to 4.50% (at this writing), the price-variations corresponding with differences in maturities and taxable features. At a recent date the

Liberty 3½, 1932-47, sold at 100.4, to yield 3.45%.

Liberty 2nd 4s, 1927-42, sold at 98.12, to yield 4.15%.

Liberty 3rd 4¼s, 1928, sold at 98.76, to yield 4.50%.

(Other groups named in the "Success Staircase" will be described in later articles of this series.)

Readers' Round Table

Support the President!

A Plea for Cooperation in Getting the Railroads Out of Danger

By S. DAVIES WARFIELD

PRESIDENT HARDING, in his annual message to Congress, has made specific recommendations respecting the railroads, the adoption of which would prevent complete Government operation and ownership toward which the carriers are fast drifting.

You may know that this Association in January, 1919, when railroad legislation was under consideration, presented before Committees of Congress comprehensive proposals which we believed essential to an adequate transportation service economically conducted. The railroads were then under Federal control, and the Association's management believed then, and has consistently contended since, that unless the *public* and *shippers'* interests were first considered in any plans under which the railroads were to be returned and thereafter administered, there was little hope of re-establishing railroad credit and railroad securities which the Association largely represents.

At propitious periods since the initial Committee hearing referred to, the essentials to successful and economical rail transportation were re-stated before Committees of Congress and the Interstate Commerce Commission with little deviation from the fundamentals originally presented at the hearing of 1919.

The President, it will be recognized, has been compelled to face questions involved in transportation and labor rarely met by any former incumbent of his office. This has enabled the President to view the entire subject from the public interest especially and to present to the Congress the result of these experiences with recommendations that are entitled to the support of every citizen who has due regard to the fact that the basis of all successful and prosperous agricultural and business enterprise is an adequate transportation system economically administered.

The recommendations of President Harding embrace proposals that have been made by this Association before Committees of Congress and the Interstate Commerce Commission since 1919. This would suggest an added reason for their support by every member of this Association.

The apprehension of the President that his recommendations may not be acted on in the present Congress should be an incentive to the membership of this Association to fully recognize the facts. It takes time to put in effect any comprehensive plan such as would involve the recommendations of the President and the proposals that this Association has always stood for, so that failure on the part of the present Congress to provide this constructive legislation, putting off action until a special or the next regular session, would not only bring the agricultural and the business interests generally of the country face to face with another car shortage which would be serious, but it would accentuate the drift which unquestionably has set in toward more complete Government regulation and operation that may carry us, as already stated, very close if not completely into Government ownership.

You may perhaps pardon personal allusion, for I should say to you that for the past five years I have devoted the greater part of my time and energy, with little cessation, to the responsibilities I assumed, and was beginning to feel that the inertia constantly met and the apparent insistence on the part of railroad managements to preserve outworn methods incident to railroad individualism and isolation, with the deep-rooted, often unnecessary and ruinous competition that was holding off joint facility uses, was rather too extreme to justify my continuance in the position occupied by me.

Furthermore, my position often demanded that I oppose associates in the railroad as well as the financial world in the conduct of the office held, which has been conducted by me entirely without respect to personal consequences. This has not always been pleasant, as you may imagine.

After Congress included in the Transportation Act of 1920, Section 15a, based on the ratemaking-revenue suggestions of this Association, also other suggestions such as the power to the Commission to re-locate freight cars from one carrier to another in emergencies (that has twice saved transportation yet opposed by those who entreat its use) and the control *over divisions* of freight rates, it seemed that rail transportation might reasonably proceed, although it was apparent to me that without the adoption of the other proposals to round out and dovetail the suggestions accepted, the reconstruction period would put the carriers to a severe strain.

President Harding has now supplied the necessities in recommendations to the Congress and their adoption by that body would prove of *permanent benefit to the nation.*

The argument that the introduction of this legislation might lead to amendments to the Transportation Act or such legislation as will be inimical to all concerned has not appealed to me personally. The President points out that there is already before Congress the recommendation of the Joint Commission of Agricultural Inquiry definitely recommending car pooling under a central agency such as we have proposed, of and by the railroads and their owners. This Commission was composed of members of both Houses of Congress and of both political parties, so it would seem that the members of this Commission and many others would be willing without amendment or other legislation to support their recommendations embodied in a bill with the manifest savings and benefits to be derived therefrom.

The exercise of whatever occurs to you as a means to assist action by the Congress will be most helpful. I ask your support in this.

Should the Radicals Get What They Want?

An Opposing View to That of Senator Ladd

SPEAKING for that portion of the Federal legislature which is avowedly bent upon sweeping changes in Government policy, U. S. Senator Edwin F. Ladd, in a recent issue of THE MAGAZINE OF WALL STREET, has made a declaration of some of the specific changes which he believes should be effected. In the writer's opinion, the Senator's recommendations are something more than debatable.

Senator Ladd's first recommendation, as expressed in the statement, is that the Government should *keep* its ships and operate them at a loss, rather than sell them at "ridiculous prices," or sustain them by means of a subsidy, which "will get larger and larger each year." And the Senator would have the ships so kept and operated at a loss "at least until the world settles down and we know where we are."

Two considerations enter the discussion at this point, tending to prove the Senator's position on this subject both fallacious and inconsistent. The fallacy springs

(*Please turn to page* 460)

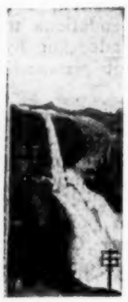
Public Utilities

Montana Power Company

What Is Holding Montana Power Back?

Poor Showing of Company as Compared With Other Public Utilities—Dividend Prospects

By JAMES N. PAUL



WITH the general situation affecting public utility companies vastly improved this year, and in a stock market which has distinctly favored securities of this class of company, Montana Power Co. has been a disappointment as to market action. There are a few stocks of this kind which have not moved upward reflecting better conditions and Montana Power has been a laggard. At the current price of around 68, the stock is up only five points from the low price of the year reached last January.

Seeking the reason for its failure to make a better showing marketwise, two factors stand out. The first is its tardiness in getting to a basis where earnings show any great expansion. The second is the disappointment no doubt felt over the fact that dividend increase which was expected earlier in the year did not materialize. Obviously, with earnings not warranting, the increase in the rate from $3 to $5 annually which was looked for could not materialize.

Reasons for Poor Showing

Before attempting to explain the reason for failure to make a better showing this year in the way of earnings, a word on its activities is in order. Operating in Montana in a rural section chiefly, with mining operations playing a large part in its affairs, the company this year has not experienced the heavy expansion of demand as have those companies operating in more congested territory. The output is practically all hydro-electric and could expand economically should the demand develop. Aside from this, the mining companies take a large part of its output and their late start in getting back into production this year was responsible for a poor first quarter.

MONTANA POWER

EARNINGS OVER NINE-YEAR PERIOD TO 1913 WHEN COMPANY WAS ORGANIZED

	Gross	Net for Bond Interest	Interest Earned Times	Earned a Sh. on Com.	Div. Paid on Com.
1913	$3,532,362	$2,299,201	2.94	$3.13	$2.00
1914	3,720,601	2,447,540	2.18	2.42	2.00
1915	4,231,223	3,013,251	2.25	3.73	2.25
1916	6,219,148	4,465,315	3.23	5.46	3.75
1917	6,905,256	4,559,304	3.22	7.45	5.00
1918	7,558,741	4,618,532	2.94	6.19	5.00
1919	6,769,013	3,952,475	2.38	3.87	4.00
1920	7,866,124	4,699,264	2.86	5.27	3.00
1921	6,009,226	3,188,328	1.96	1.99	3.00

Resumption of copper mining was not heard of until about the first of the year. Owing to the large surplus stocks of the red metal, practically all the mines, not only in Montana, but in other sections of the country, had been closed down for nearly a year. It was well along in the spring of 1922 that those mines which take power from the company really got under way on a large scale. Just about the time when production was going ahead, a labor shortage began to develop which restricted mining operations, and in turn was reflected in earnings for both the second and third quarters of this year. With the warmer weather, commencing about May, labor in the mines began to drift to the farms.

The last quarter of the year should be the best one, as the labor situation has cleared up somewhat and mines are running close to capacity.

Montana Power Co. is a company which must be looked upon from a long-range viewpoint in any consideration of its affairs. While earnings may have been disappointing to many this year, the company has great potentialities for growth aided by special circumstances. Meanwhile, however, earnings are expanding slowly.

A factor in the present situation is the acquisition of American Brass Co., announced earlier in the year, which is keeping Anaconda Copper busy supplying the metal. Anaconda is one of the largest customers on Montana Power's books. The contract for power with this company calls for 30,000 kilowatts for the new electrolytic zinc plant alone, or approximately one-sixth of the power company's total rated capacity. This serves to illustrate the important bearing which mining operations has upon this public utility's income account.

MONTANA POWER

***NET EARNINGS BY QUARTERS 1921 AND 1922**

	1st Quarter	2nd Quarter	3rd Quarter	Total	A Share on Com.
1921	637,476	246,148	400,613	1,284,237	1.56
1922	$611,235	$624,027	$666,390	$1,901,673	$2.80

* Net available for dividends on common and preferred stocks.

Current Earnings

Based on statement for nine months of the year to September 30, it is indicated

(*Please turn to page* 456)

Southern California Edison Co.

A Thoroughly Intrenched Public Utility

Huge Expansion Program Necessary Each Year to Keep Output Up to Demand—Financing Through Sales of Stock

By WILFORD THOMAS

PERHAPS not so well known as many of its neighbors by reason of the fact that its securities are not listed on the New York Stock Exchange, Southern California Edison Co. is nevertheless one of our large public utility companies which is rapidly forging ahead. The average investor has heard a great deal of its northern neighbor, Pacific Gas & Electric Co. Southern California Edison Co., operating in the central and southern part of the state, in Los Angeles and adjacent territory, is a large and rapidly expanding company. Need for additional capital to finance expansion program has brought the company more into the limelight in the East, though the greater part of its financing has been accomplished within the state of California, and a good part through the sale of junior securities.

The problem of the company has been to keep facilities for service up to demand. The expansion program was interrupted by the entry of this country into the World War, but since 1919 the organization has been hard at work to improve and expand facilities for service. This has involved construction of several large hydro-electric plants, construction of transmission lines and distribution facilities.

Development Prospects

For instance, gross from all sources in the 1921 annual report was shown at between 16 and 17 millions of dollars. Yet the budget for 1922 showed that the company was planning to expend upwards of 22 millions of dollars for expansion of plant and equipment.

The most promising sign in its affairs is found in the fact that the company is able to do the major part of its financing through the sale of stock, chiefly common stock. Last June the company announced that it had disposed of some 75,000 shares of common stock, which was sold to its own stockholders and customers, and had raised more than $7,500,000 in this manner.

Earnings

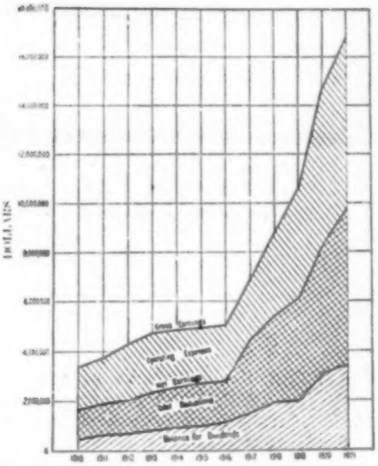
In a discussion of earnings of the company it should be borne in mind that the effect of heavy expenditures of capital for additions and improvements will not be seen to any extent until the future. Thus, while the company is now increasing interest charges by sale of bonds and amount required for dividends on additional stock being issued, it will take until next year at least before earnings will reflect the greater capacity for service. The 1921 annual report showed earnings equal to 10½% on the common stock. Earnings statements for nine months to the end of September, 1922, indicate that earnings last year approximated those of the same period in 1921:

	1922	1921
Gross	$11,719,463	$11,268,880
Net after interest charges	4,823,756	4,780,398

Looking ahead into 1923, new development work coming into operation next year will enable the company to show increased earning power. There is already the demand for electric energy. The announcement made in the spring that Los Angeles had purchased for 12 millions the distributing system within the city, has little effect on earnings. Southern California Edison still continues to supply the power on a wholesale basis. The receipt of the funds from the sale is enabling the company to speed up its expansion program.

Expansion

A glance at the accompanying table will show that gross earnings during the past six years have more than trebled. The line showing course of gross and net is still headed sharply upward and should continue so for several years to come.



Growth of Southern California Edison Earnings

Of the approximate 376,000 horse power rated capacity of plants shown earlier in the year, one-third was ouput of four steam plants and two-thirds that of hydro-electric plants. Future development and expansion work is chiefly along the line of water power plants, and in this respect the company owns many valuable rights.

Three hydro-electric plants on the Big Creek River this year have an installed capacity of 140,000 horse power. The river is capable of development of ten times this amount and work is now going on to increase its output. As a future source of supply of cheap power in addition to the Big Creek River, there is the San Joaquin River, and the company has received permission to construct a 195,000 horse power plant near Fresno. Cheap power derived from this development will be used to supply Los Angeles.

Most important item in connection with earnings is that early in 1923 it is expected that the new Big Creek No. 3 plant will have an initial installed capacity of 65,000 horse power. This plant will be of an equal size with Big Creek No. 2, now the company's largest development.

Another source of future power development is found in the Colorado River, and the company may in time participate in harnessing the water for use in the state in the form of electricity. If California can continue to expand, an ample supply of cheap water power seems assured for the company for many years to come.

Conclusion

In point of size, for purposes of comparison, Southern California Edison Co. is doing a gross business of slightly more than 40% of that of Pacific Gas & Electric Co. It is now devoting all its energies and capital to a vast expansion program which officials believe will be fully justified on future growth of the state. With its valuable water power sites the com-

(*Please turn to page* 459)

TEN-YEAR STATEMENT OF SOUTHERN CALIFORNIA EDISON EARNINGS

	Gross	Net for Dividends	Int. Earned Times	Amt. Earned Per Share on Com.	Com. Dividend
1912	$4,337,411	$649,559	2.33	$5.24	$5.00
1913	4,779,280	835,020	2.88	6.73	5.00
1914	4,855,141	862,071	2.82	5.99	6.00
1915	4,933,116	946,692	2.70	6.57	6.00
1916	5,034,249	1,146,001	2.73	6.97	6.25
1917	6,885,149	1,511,941	2.31	8.01	7.00
1918	8,735,456	1,403,466	1.83	7.43	7.00
1919	10,569,565	1,983,183	1.96	7.17	7.00
1920	14,647,896	3,071,796	2.60	10.80	7.00
1921	16,645,722	3,444,027	2.46	10.49	8.00

Petroleum

Profits in Oil Production Today

A Discussion of Present Crude Oil Prices and What the Margin of Profit Is—The Outlook for the Industry

By ALFRED MAYS

AFTER the vicissitudes of the past few months which have resulted in a generally lower price level for most varieties of petroleum (crude and refined) it is time to inquire whether this movement has ceased or whether we are to expect lower prices. In answer to this question, it may be stated that at the present time there are few indications of a lower level of prices than those now current. On the other hand, there is little in the situation to make for any advance, except in isolated instances for the purpose of bringing prices in those districts into alignment with those obtaining in other districts. And, of course, excepting gasolene.

There is a great deal of talk about the inability of oil companies to make money on the present basis of prices. This is probably true of small and inefficient companies which are not in a good position to compete with the big and well-rounded enterprises. At present prices, the leading factors in the industry are operating profitably though, of course, not so profitably as a few months ago when prices were higher. There is no question that money can be made producing crude oil at the present price level provided the management is efficient and unproductive investments eliminated. Several illustrations will bring this out clearly.

Cost of Oil Production

For example, the average cost of getting oil out of the ground so far as the big producers are concerned, is probably not much more than 50 cents a barrel without considering depreciation and depletion charges. However, even considering these two items, the total cost including all charges should not be over 80 cents a barrel. Conditions, of course, vary in various parts of the country and costs may be higher or lower according to the part of the country in which the company is operating. It is, nevertheless, an established fact that few small producers can get oil out of the ground at so low a figure as 80 cents a barrel which illustrates the advantage which the large and efficient companies have over the little ones.

On the basis of 80 cents per barrel cost for the big producers—among which may be named such impressive factors as the Standard Oils, Texas Company, Gulf Oil and Cosden—profits should be satisfactory in consideration of the fact that the market price of most grades of crude continues well above a dollar per barrel. This, as can be seen from the figures, leaves a fair margin of profit so far as the refiners are concerned. It is true that, while the drop in crude-oil prices does not allow a large profit, the fact remains that as long as gasolene remains at present levels and fuel oil sells for 50% of the cost of crude, no refinery that uses a large amount of crude is going to lose money. Therefore, the refiners of size and importance as well as the big producers are in a relatively favorable position.

Competition for Oil: Notice How Close Together These Derricks Are

The Rôle That Fuel Oil Plays

An important feature contributing to the fact that even under present conditions the big refiners are able to show profits is the present price of fuel oil which, in some cases amounting to 65% of the crude, sells at much higher levels than last year this time. Undoubtedly the strength in fuel-oil prices has contributed greatly toward making refining profitable under present conditions.

It is quite probable that unless something unforeseen happens, the big companies should do fairly well during the coming year. There is nothing, of course, to get wildly enthusiastic about. Nevertheless, the situation contains considerable promise. This is based on the belief that gasolene prices during the year will be materially higher than at present. Indeed, in this connection, it is worth while commenting on the fact that gasolene in New York was recently reduced to a price not seen for a number of years. It is hardly likely that such prices can be had indefinitely in view of the certain increase in gasolene consumption with the commencement of the automobile season. In fact, the last retail cut in gasolene was a good move as it served to stimulate sales and thereby reduce the high stocks.

Storing Gasolene

Gasolene prices, therefore, during 1923 should be on a higher level than at present and add to refining profits. There is also another development of interest and that is that some of the

big companies such as the Standard Oils, Cosden, etc., are storing gasolene and that with a rise due, this investment is likely to turn out fairly profitably.

Concerning stocks of crude and gasolene, it is necessary to point out that they are much larger than last year. However, this is not as significant as would appear on the surface owing to the fact that demand is steadily increasing, over a period of years, and that larger stocks are necessary than would have been true of other years. It is true, of course, that should demand slump off materially for some reason that cannot now be seen, the high stocks would not do any of the oil interests much good. That of course is what makes the oil game speculative.

The important feature of the situation seems to be the growingly unfavorable position of the less well-secured companies and the preponderance in the industry of the large companies. The latter are in a more or less sound position and are earning money in conditions which are forcing the little fellows to the wall. In this connection, it is very likely that a good many of these small companies will be taken over by the big ones. Either that, or they will have to combine with other small companies. From an investment viewpoint, securities of such companies are the least desirable of all in the oil field.

Sinclair Cons. Oil Corp'n

1922 Its Best Year

Sinclair Materially Improved Financial Position and Earning-Power—Outlook for Its Shares

By JAMES W. MAXWELL

SINCLAIR has made 1922 the most important year since its organization. The company's earning power and its financial position have both been greatly improved.

It is estimated that the corporation obtained some 90 millions in new money during the year. This sum came, in large part, from the following sources: 45 millions from sale of 15-year 7% bonds early in 1922; 15 millions from sale to Standard Oil of Indiana of a half interest in $30,000,000 Sinclair Crude Oil Purchasing 5½s; 12.5 millions from sale of half interest in its $25,000,000 Sinclair Pipe Line 5s; about 8.6 millions representing the sale of Mexican Seaboard Oil stock and about 5.6 millions more in retirement of Mexican Seaboard bonds held.

The proceeds of the 45 million 7% bond sale would have been absorbed in redemption of a like amount of 7½% notes outstanding had not these notes borne privileges of conversion into preferred and common stock. Under the circumstances, the expiration of the conversion period saw the whole note issue absorbed in conversion. The final effect was to bring into the Sinclair treasury the sum of 45 millions, in effect obtained through the sale of stock.

Speculative Holdings Sold

Bringing this new money into the company's treasury puts Sinclair in the best financial position in its history. The corporation should have close to $40,000,000 in cash and no bank debts. Its interest charges have been materially reduced. The highly speculative holdings in the Mexican Seaboard Oil Co. are replaced by sound current assets. With its inventories down to 1921 market prices, the corporation should be able to show a working capital of close to 80 millions in the year just ended, as against 53 millions in 1920—the best previous year.

The chief event in the company's 1922 year from an operating standpoint was the development of the holdings on the Teapot Dome. Under a contract with the Government, operations were begun eight months ago by the Mammoth Oil Co., which was privately financed. The agreement provided that oil brought to the surface by the producing company would be taken up by the Sinclair Crude Oil Purchasing Co. As soon as rate of total production reached 20,000 barrels daily, Sinclair Pipe Line was to construct a pipe line from Wyoming to the outskirts of Kansas City, where connection could be made with the main trunk systems of the Sinclair and Prairie Pipe Line companies. By this provision, Teapot Dome would be brought within direct reach of the Gulf of Mexico as well as the Atlantic Seaboard. Mammoth Oil's contract with the Government called for completion of 20 wells within first 18 months, and 20 more wells in each of the three succeeding periods of the same length. The first well of the Mammoth Oil Company was brought in early in October.

In addition to the development of the new Wyoming territory, Sinclair has been active in the operation of the large refinery and producing organization built out of its original nucleus. Sinclair is now rated as joint owner with Standard Oil of Indiana in the largest pipe line system in the United States, and the second largest crude oil purchasing company. A recent statement showed the purchasing organization with over 25 million barrels of crude oil in storage, giving it rank next to Prairie Oil & Gas in point of crude reserve.

Recent Earnings

Earnings of the Sinclair organization in the first half of 1922 reflected the better tone prevailing in the oil market as well as the company's greatly enlarged physical organization. The comparison with the same period of 1921 shows as follows:

(In Thousands)

	1st 6 months 1921	1st 6 months 1922
Gross earnings	$59,468	$66,225
Purchases, taxes, etc.	48,050	46,756
Net earnings	11,417	19,469
Interest and discounts	2,990	2,440
Investment adjustment	6,100	.....
Net increase	2,327	*17,030

* Before Federal Income Tax.

These earnings, based on the capital existing at the time, exceeded $4.15 a share on the common stock.

The present capitalization of the Sinclair Company is itemized in an accompanying table. Basing conclusions on the results shown in the first six months of 1922, the corporation's earning power appears good. The $20,000,000 preferred, which was issued in 1922 to provide for conversion of the notes that were approaching redemption, calls for $1,600,000 yearly in dividends, which total was earned nearly ten times (before taxes) in the first half. At 99, to yield better than 8%, this issue's margin of safety makes it appear fully appropriate for a business man's investment.

The present dividend rate on the common shares is $2 a year. If the corporation maintained the earnings rate established in the first half of 1922, it would be able to pay the preferred dividend and the common dividend and return over 12 millions to surplus for the year.

While criticism has been made in some quarters as to the actual conduct of certain of the Sinclair operating departments, the corporation's magnificent results, its close association with Standard Oil and its immense physical structure encourage confidence. The common shares at 32, to yield about 6.20%, might be considered an interesting speculation were it not for the uncertain position of the market as a whole.

SINCLAIR'S CAPITALIZATION

	Authorized	Outstanding
FUNDED DEBT:		
1st lien coll. tr. 7s, 1937	$100,000,000	$45,000,000
Equipment notes	....	5,851,090
Series "A" 5½s, 1925	....	30,000,000
20-year s. f. 5s, 1942	25,000,000	25,000,000
CAPITAL STOCK:		
Preferred (8% cum., par $100)	$100,000,000	$20,000,000
Common (no par)	5,500,000 shs.	4,401,875 shs.

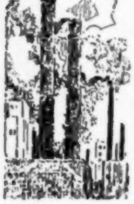
Mining

Federal Mining & Smelting Co.

Is Present Dividend Rate Secure?

An Analysis of the Company's Position With Regard to the Outlook for the Price of Its Products

By JOHN T. WINDSOR



THE Federal Mining & Smelting Company has been in operation in its present form, for about 20 years and, by comparison with many other companies, on the whole has achieved substantial results. This certainly can be proved in the case of this company by analysis of its long dividend record, which shows (see graph) that dividends on its preferred stock have been paid regularly, if in varying amounts, since 1903. Parenthetically, it may be remarked that this discussion of the company revolves about the preferred stock and is very little concerned with the common stock, which is highly speculative. The company depends to a principal extent on its lead production and somewhat less on its zinc and silver, and prices of these three commodities naturally have a tremendous effect on the earnings of the company. The main properties are located in the famous Coeur d'Alene district of Idaho where it owns four principal groups of silver-lead mines and claims. These properties are estimated to contain silver-lead ore to the amount of 7.3 million tons. Facilities of the company are modern and extensive, comprising plants for concentrating, pumping, hoisting and compressing. It also has its own electric plants. In addition to the properties mentioned above, the company has other holdings scattered among various states.

Federal Mining & Smelting sells its entire output to the American Smelting & Refining Co. under a contract terminating Sept. 1, 1930.

FEDERAL MINING & SMELTING

ORE RESERVES

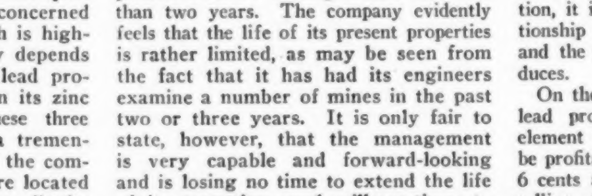
(In tons as of January 1.)

	1915	1916	1917	1918	1919	1920	1921	1922
Milling ore...	988,450	879,500	807,100	637,870	1,519,280	1,368,000	*1,015,500	1,210,700
Concent. ore..	99,150	86,310	76,336	53,500	217,000	196,880	123,866	147,474
1st class ore..	48,640	67,970	78,580	89,585	117,240	79,800	39,980	72,700

* Ore involved in litigation with Star Mining Co. excluded pending final settlement.

Life of Ore Reserves

One of the most uncertain features of the Federal Mining & Smelting situation is connected with the life of its ore reserves. As with every mining company, this is the paramount question. Present figures give a rather unfavorable impression, on the whole. Thus at the commencement of 1922, the company reported that its reserves of milling ore amounted to about 1,210,000 tons, which at the present rate of milling would last less than two years. The company evidently feels that the life of its present properties is rather limited, as may be seen from the fact that it has had its engineers examine a number of mines in the past two or three years. It is only fair to state, however, that the management is very capable and forward-looking and is losing no time to extend the life of its operations and will continue to make every effort to secure promising mines. It has a competent engineering staff and has cash resources sufficient to make experiments for a considerable period.



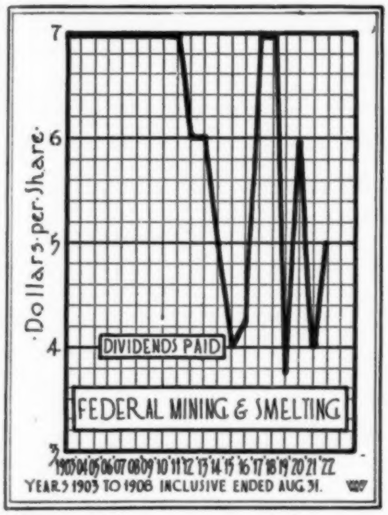
The Morning Plant of the Federal Mining & Smelting Co. at Mullan, Idaho

From examination of the company's record, it is reasonable to assume that new and paying properties will be found and that the company will continue in operation for a good many years. Basing this investigation on that assumption, it is necessary to establish the relationship between the company's earnings and the price of the metals which it produces.

On the basis of present operating costs, lead production, which is the principal element in the company's output, cannot be profitable if lead prices are much under 6 cents a pound. Lead, however, is now selling at over 7 cents a pound where it is returning a handsome profit and during the greater part of 1922 has sold at a price where profitable operation could be undertaken. In fact, the company's directors were so sure of their position on account of the rise in lead, and to a lesser extent in zinc, that early in 1922 they increased the dividend on the preferred stock from $1 quarterly to $1.25 quarterly. Zinc, at a price of 7 cents, is also at a price where production has again become profitable. In fact, the extended advance in lead and zinc last year has accounted for the rejuvenation of many mining companies during that period. Silver, of course, is still getting a price of about $1.00 an ounce under the Pittman Act and this end of production is naturally a very profitable one. However, Federal Mining & Smelting has a relatively small silver production, so that this item is not particularly important in estimating probable earnings.

It can be seen that the company has recently profited greatly from the rise in lead and zinc prices by comparing present levels of 7.10 cents and 7.00 cents for lead and zinc respectively with those of 1921—a poor year for this company and other producers in the same field—when lead and zinc prices were 4.00 and 4.65 cents respectively. Appreciation in the price of these two metals of nearly 75% accounts, of course, for the large increase in the earnings of this company.

During the next few months and possibly all during the coming year, the price of lead and zinc should be sufficiently high to ensure profitable operation. Both metals, particularly lead, are in great demand by the building industry. Though the outlook for this important industry is not quite as good as at the beginning of 1921 there is nevertheless still enough to be done in the building lines to practically guarantee a continued high demand for these metals though possibly on a somewhat smaller scale than during the preceding year. If that is the case, lead and zinc prices should average between 6 and 7 cents a pound, which would be sufficient to provide good-sized earnings.



Beyond that point, however, it is difficult to see. Conditions in a year may easily turn out to be unfavorable to these two metals and if their prices decline drastically, earnings of the company will naturally decline. This is what makes issues of mining companies inherently speculative, and in this respect the shares of Federal Mining & Smelting are not different from the rank and file of mining issues.

Financial Position and Earnings

During the first six months of 1922 the company showed earnings before ore depletion or depreciation of $425,266. Since that period prices of lead and zinc have risen so that the com-

(Please turn to page 460)

Granby Consolidated Mining

Granby An Exception Among American Coppers

Low Cost of Production—Advantage of Water Route—Outlook for the Stock

GRANBY MINING
PRODUCTION COSTS AND PRICES
(Cents Per Pound)

	*1916	*1917	*1918	*1919	†1919	1920	1921	1922
Cost of copper produced...	12.30	13.94	16.82	23.22	(‡)	§15.94	§11.63	¶9.50
Price received for copper...	22.96	27.4	23.70	17.70	19.60	17.65	12.76	14.00

* Years ended June 30. † 6 mos., ended Dec. 31. ‡ Not reported. §Canadian Exchange. ¶ Estimated.

GRANBY CONSOLIDATED MINING, SMELTING & POWER COMPANY, LIMITED, to give the company its full name, is an exception among North American copper producers. This Canadian mine, located in British Columbia, is able to produce copper at a lower cost than many United States mines, which places it in an excellent competitive position. Furthermore, by sending its copper through the Panama Canal to its Nichols plant on Long Island, it obviates high railroad freight charges, thereby having a very great advantage over United States producers who have to ship the metal by freight. The company is also in an advantageous position on account of its large coal supplies, some of which it is able to sell commercially. Labor conditions are better than at most mines in this country, and, finally, abundant supplies of hydroelectric power will enable the company to materially lower present costs of production.

Granby produced copper in 1922 for about 9½ cents a pound, which compares with 11.63 cents a pound in 1921 and 15.94 cents a pound in 1920. Average price of copper in New York was slightly under 14 cents a pound last year, so that on basis of less than 10 cents per pound costs for production, the company had a good margin of profit. Freight charges and refining costs are paid for by precious metal content of the company's ore, which shows an unusually high percentage of gold and silver residue. Differences, therefore, between less than 10 cent per pound costs of production and 14 cents, the market price, represents gross profits. Granby averaged about 2.5 million pounds of copper per month in 1921, and on the basis of profits per pound then obtained, should have returned about $1,200,000 net in 1922.

Capitalization

Capitalization consists of about 4 millions in funded debt consisting of $1,455,000 1st mortgage convertible series "A" 6s, due May 1, 1928, and $2,500,000 in 5-year 8% convertible debentures due May 1, 1925. With interest and sinking fund charges of approximately $600,000 deducted from the 1.2 millions earned in 1922, this should have left about $600,000 net for the 180,000 shares of capital stock, or about $3.33 a share. This is the best that the company has done since 1918.

Outlook for increased earnings, of course, is dependent on price of the metal and amount of sales, the latter being subject to conditions which are impossible to foresee at the present time. Settlement of affairs abroad would undoubtedly have a stimulating effect on the entire industry. This, however, is speculative. More practically, the outlook seems to favor about present demand or perhaps slightly higher, in which case Granby should be able to at least duplicate its 1922 sales. With further efforts toward operating economies, the company should earn more than last year, even if the volume of its sales does not increase.

Intrinsically, Granby is in a very sound position. It has an estimated reserve of high-grade ore of about 10.7 million tons, which on the average basis of production, would give the company a life of from 12 to 15 years. Financially there is something to be desired with regard to working capital which at the end of 1921 was very low. Considerable improvement should have occurred during 1922, however, but not sufficient to warrant any disbursement to shareholders in spite of the few dollars per share that are being earned. The company will undoubtedly prefer to strengthen its financial position before declaring dividends. Nothing has been paid on the stock since 1919, but before that period the company paid amounts ranging from $3 to $10 per share. Under abnormal conditions in the industry, very large earnings can be reported as in 1916-1918, in which period an aggregate of $83 per share was earned.

Conclusion

Granby stock is now selling at around 25, having sold as high as 35 in 1922 and as low as 22. In 1919 it reached the high price of 80. From a long-range viewpoint, the stock has many attractive features and can be considered favorably for speculative investment. The more immediate outlook, however, is more uncertain, and especially in view of present uncertainties in the stock market, purchase at this time is not considered advisable.

·SERVICE · SECTION·
· OF ·
· THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

Conducted by

H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Is Government Banking Ended?

Closing of War Finance Corporation End of An Era—Question Whether Public Interference Is Terminated

THE approach of the time when the War Finance Corporation will terminate its activities under the provisions of existing law makes the history of the organization, in its peace time aspect, of special interest. What the corporation has done during the war is well known and it is remembered that the organization had been practically brought to a condition of inactivity with a view to liquidation at about the time that the Harding Administration took office. President Harding sanctioned a movement in Congress to restore the activity of the corporation and provision was made for reorganizing it and setting it at work. It, however, did not get completely into action until about the middle of November, 1921. It has, therefore, been actively in operation for practically a year, and as it is to wind up its affairs on June 30, 1923, it will almost necessarily have to begin preparing to liquidate in the near future if it is to comply with this requirement of law.

A Year's Work in Financing

During this period of about a year of active work, the War Finance Corporation has made or approved advances which are reported by the Secretary of the Treasury in his annual report as aggregating 430 millions, in thirty-seven states. This sum is nearly equal to the total amount of "emergency currency" that was issued under the revised Aldrich-Vreeland Act in the entire United States at the opening of the European War. Of this vast amount livestock loans were 90 millions, cotton 81.8 millions, grain 36.7 millions, tobacco 40 millions, rice and sugar beets a little less than 10 millions each, while for "general agricultural purposes" there were advanced about 157.5 millions. In doing this business the corporation dealt with about 4,400 banks and 33 cooperative marketing associations as well as 100 livestock loan companies. In addition the concern authorized loans totaling about 53 millions to assist in financing exports, out of which sum 6 millions were used for grain, 36 millions for cotton, 3.25 millions on tobacco and 3.1 millions on other agricultural products. It thus appears that the operations of the War Finance Corporation have compared at times very favorably with the total amounts of commercial bills, discounted by Federal reserve banks. At one time last summer, the total amount of such bills discounted for members by all twelve of the banks was only around 500 millions. Inasmuch as only about one-half of the banking members of the Federal reserve system ever rediscount at any one time, it is clear that the War Finance Corporation has had about as many banking customers as the Federal Reserve system.

Benefits Claimed for Act

According to Washington authorities, the act has resulted in producing great benefits which, indeed, are described as having been of a character which can scarcely be over-estimated. The improvement in agricultural conditions which has occurred during the past year, is attributed by many to the fact that the loans of the corporation were available and could be had by farmers who stood in need of them. On the strength of this view of the matter, argument is now put forward in behalf of the provision of some other agency to take the place of the War Finance Corporation when it goes out of business. In considering this argument, it is worthy of special note, however, that in many sections it has been observed that as the corporation relieved country banks these banks paid off their accommodations received from city correspondents. In other words, they simply shifted their rediscounting from the city correspondent to the corporation. The city correspondent in turn, having previously received accommodation reimbursement from the Federal reserve bank of the district was able to pay off its rediscounts with this bank out of what it had obtained through pressure upon its country correspondents whose loans obtained from it had previously been frozen, but which now was helped by the War Finance Corporation. It would be difficult to say what proportion of the advances of the corporation were used in this way, but in the opinion of well-informed bankers, a very considerable percentage of them were so employed. On the other hand, some little evidence is afforded on this point by the fact that the loans issued by the War Finance Corporation often corresponded roughly to the amounts by which Federal reserve bank bill holdings were diminished.

It would seem that, inasmuch as the Government's funds were kept in reserve banks, what happened in many cases was to draw these funds, transfer them to the War Finance Corporation, lend them then to borrowing banks, which paid them to their city correspondents, which in turn cancelled rediscounts at reserve banks and so cut down the bill holdings of the latter. This at all events represented an important phase of what has been going on.

A Long-Term Credit Central Bank

The War Finance Corporation thus appears as having been practically a central bank for the extension of long-term credit, inasmuch as the main reason for dealing with it rather than Federal Reserve Banks is undoubtedly to be found in the easier terms which could be obtained from the corporation as well as, of course, in the fact that its requirements for eligibility of paper were on quite a different basis. There is a good deal of discussion as to the amounts that will probably be needed to put into effect the proposed farm discount corporations

which figure in most of the rural credits bills now before Congress. The experience of the War Finance Corporation seems to suggest a clue to a minimum amount that might be regarded as likely to be called for in financing the needs of farmers through the new institution. That the amount needed would probably be considerably greater than this can easily be imagined, inasmuch as an organization on a temporary basis is, of course, not likely to be able to extend as many loans or to feel as much demand for them as a permanently organized concern.

Service Compared with Reserve System

It is interesting to compare the service of the War Finance Corporation to agriculture with that furnished by the Federal Reserve System. The Federal Reserve Board in reporting to Congress at the time of the agricultural inquiry, instituted a careful investigation into the amount of credit which had been granted in agricultural counties by the member banks and reached the conclusion that the amount was not less than 3.15 billions. This shows what the system (which has been regarded as inclined to withhold aid from farmers) did actually do at a time when the War Finance Corporation was practically non-existent or inactive. The Reserve System was the only source upon which the farmer could draw for relief. A similar amount of advance could, of course, be furnished at practically any time by the Reserve System just as it was in 1920-21. If the new agricultural discount corporations should not do any more than the War Finance Corporation, they would occupy the same relative position in the importance of their service to the farmer as would the War Finance Corporation, a fact which is well worthy of study in connection with the plans to organize the new enterprises.

Question of Government Intervention

The Finance Corporation represents the outcome of long years of Government intervention and interference in banking. Before the Reserve System was established it was customary to make heavy deposits each year in the rural districts in order that the banks there might be provided with funds for the purpose of crop moving. This kind of interference was continued by the Treasury at the behest of the politicians long after the Federal Reserve System was established.

When the War Finance Corporation had been brought practically to a close under the administration of Secretary of the Treasury Houston, the same demand resulted in a revival of this method of governmental intereference in aid of the agricultural industry of the country. The effect of extraneous lending of this kind has always been to disturb the general credit structure of the country, and as a result, to make it more difficult to adjust our banking mechanism to the needs of the business public; included in which, of course, must be the farmer, who is himself an important and fundamental business factor in the community. The War Finance Corporation does not differ in its essential theory from the methods of assistance to banks which prevailed a long time before the Federal Reserve System was thought of. The effects, however, are the same in all these cases and have been far from helpful on the whole.

Adjustment to Banking Structure

Secretary Mellon in his recent report recognizes this situation, for he says "The War Finance Corporation is a temporary agency. Its highly centralized form of organization, with concentrated power and resources, was well suited to the grave crisis of 1920-21. But it is entirely unsuited to the permanent banking structure of the nation. Now that the emergency has been met for the most part, appropriate action should be taken to adapt the machinery of finance to the permanent needs of our agricultural activity. . . . ." With this recommendation the banking community will doubtless be fully agreed, and there can be no doubt that such adjustment as is made should be so thorough as to obviate any probability that it will be necessary in the future to develop emergency methods of relief. If this can be accomplished a very long step in advance will doubtless have been taken; one which has never yet been thoroughly agreed upon and which by its absence has tended to interfere materially with the present banking organization of the United States. The question what this step must be and exactly how it will be possible to guarantee that when it has been taken there shall be no special action in future for the assistance or relief of special interest of any kind, such relief coming in the natural course of affairs through the proper functioning of the banking system, has not yet been answered and undoubtedly presents one of the most urgent financial problems of the moment.

Rural Credit Bills Still Under Discussion

Bankers Defer Action on Exchange—Federal Reserve Nominations Still Uncertain

Washington, December 26.

FURTHER progress in the direction of rural credits legislation has been made by the Senate Committee on Banking and Currency, which has had before it a considerable number of the bills already introduced in Congress and designed to provide a system of rural credits, or a remodeling of old systems. It is now anticipated that some definite measure will be reported very early in January and that this measure will constitute the basis of legislation to be adopted before the close of the session.

Both Parties at Work

The work now in progress is apparently non-partisan, or bi-partisan, representatives of both parties being actively engaged in conducting the hearings and in shaping the bills. The effort is to find a means of establishing effective rural credits institutions and to provide for the marketing of their securities as may be best possible. The terms and conditions of the measure are not yet agreed upon and there is great difference of opinion regarding them. Practically all are agreed, however, that it is essential to improve the existing status in a very material degree, and that some reasonable concessions to the farmer must be made in order to enable him to get the accommodation that will set at rest recent agitation.

Types of Proposal

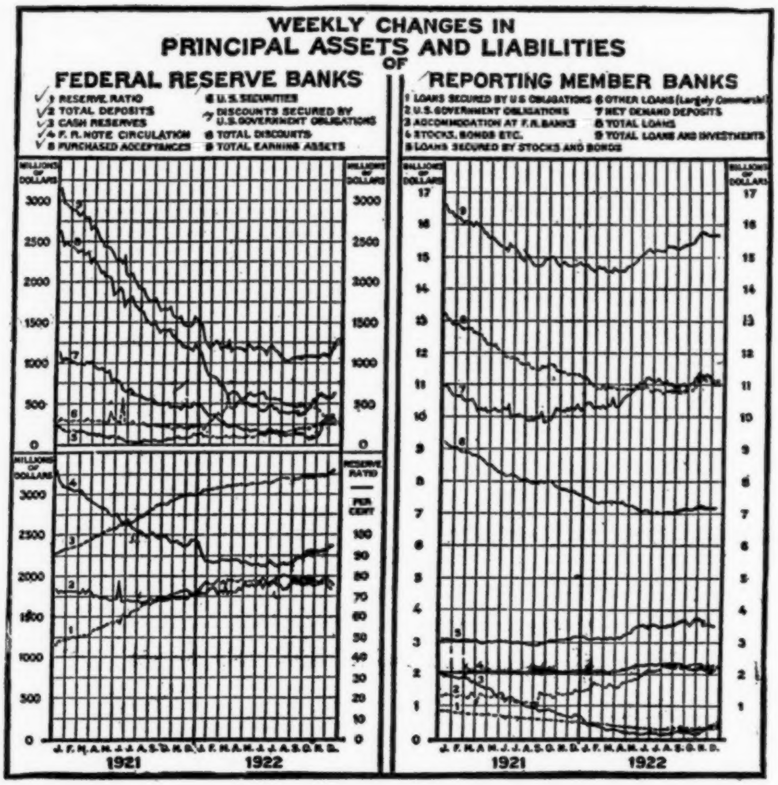
Various types of proposal are now being studied. There are three principal classes of schemes, one of which depends primarily upon the Government for the establishment of discount institutions or for the provision of capital which will enlarge the funds of the land banks and thereby enable these institutions to do business in the short term credit field. A second type of plan is intended to give to the land banks or to rediscounting institutions dealing in short term paper a better means of access to the Federal Reserve System by extending the maturity or relaxing the restrictions to which farm paper is subject at the present time, when offered for rediscount at Reserve Banks. The third type of proposal contemplates getting the needed funds largely from the open market through the sale of bonds which may be tax exempt or may otherwise be made attractive to the investing community. A lengthy debate on the floor is promised after the new bill has made its appearance in such form as may be determined upon.

Par Collection Effort Deferred

It has become authoritatively known that the Committee of the American Bankers Association, which has in hand the duty of seeking legislation from Congress designed to revise the present col-

(*Please turn to page 459*)

The Banking Situation



CONDITIONS in the Federal Reserve System are proving more than ever difficult to reconcile completely with the apparent setback that is in sight with respect to volume of business. Latest figures for banking conditions point to continuous growth in accommodation both at Federal reserve and member banks but the advance is evidently not an index of currently more active trade.

Federal Reserve Bills Increase

The significant thing in the Federal reserve system is the growth of holdings of bills. Although for the latter part of December these holdings are slightly off, being 867 million on December 20, they are much higher relatively speaking than they would have been now that the strain of the autumn is over, had it not been for increasing demands on the part of business. These increasing demands ought to reflect, it would seem, greater activity in the business situation. This, however, is hardly the case since, as is now well recognized, immediate further expansion is not apparently to be expected. It should be remembered of course that the changes of holdings of bills in the Federal reserve system are frequently somewhat retarded since the effects of an increase in business demand are not felt quite so promptly at reserve banks as they usually are elsewhere. It takes some time for a member bank which is feeling the demand of its customers, to decide to apply for, and actually to get, special accommodation at a reserve institution. For the same reason, a temporary check to business is not reflected in reserve bank holdings for some little time. It is interest-

(*Please turn to page* 440)

FEDERAL RESERVE BANKS

(In millions of dollars.)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Oct. 4	3,213.0	434.1	483.3	1,877.6	2,274.6	77.4
Oct. 11	3,210.0	524.7	474.5	1,922.2	2,320.1	75.7
Oct. 18	3,214.1	511.0	446.9	1,956.1	2,315.4	75.2
Oct. 25	3,211.9	479.3	408.6	1,841.7	2,298.5	77.6
Nov. 1	3,211.9	587.7	360.3	1,914.2	2,309.2	76.0
Nov. 8	3,211.2	640.4	346.5	1,862.6	2,340.0	76.4
Nov. 15	3,204.7	652.5	325.7	1,939.5	2,321.2	75.2
Nov. 22	3,213.6	614.1	295.1	1,889.9	2,299.3	76.7
Nov. 29	3,202.8	650.0	304.4	1,860.2	2,329.8	76.4
Dec. 6	3,172.9	704.9	311.8	1,910.1	2,361.2	74.3
Dec. 13	3,184.8	659.7	307.2	1,861.1	2,379.1	75.1
Dec. 20	3,156.7	615.5	431.2	1,881.9	2,456.7	72.8

REPORTING MEMBER BANKS

(In millions of dollars.)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal reserve banks	Ratio of accommodation (4÷2+3)	Net demand deposits
Oct. 4	786	11,051	4,458	181	1.2	11,168
Oct. 11	787	11,118	4,444	276	1.8	11,256
Oct. 18	787	11,304	4,580	272	1.7	11,305
Oct. 25	787	11,248	4,540	226	1.4	11,161
Nov. 1	786	11,274	4,539	339	2.2	11,188
Nov. 8	786	11,265	4,524	395	2.4	11,133
Nov. 15	785	11,233	4,540	402	2.6	11,126
Nov. 22	784	11,189	4,528	360	2.3	11,038
Nov 29	784	11,218	4,542	381	2.4	11,094
Dec. 6	784	11,246	4,538	450	2.9	11,010
Dec. 13	784	11,258	4,531	396	2.5	11,111

BANKING INDICATORS

Discount rate at Federal Reserve Banks	4-4½%
Commercial Paper in New York Market Dec. 29	4½-5
Reserve Percentage Fed. Reserve System Dec. 27	72.1
Reserve Notes Outstanding Dec. 27	$2,464,121,000
Bank Rediscounts (with F. R. Banks) Dec. 27	$350,000,000
Sterling Exchange Index Federal Reserve Board	92.06%
Net Gold Impts. Nov.	$14,900,000
Commercial Paper Rate London (bankers three months bills) Nov. 3	3⅛
Wholesale Price Index (London Economist) November	194.7
Reserve Percentage Bank of England, Dec. 28	15.77

·SERVICE·SECTION·

Trend of Money, Prices and Credit

Slight Reaction Now Becomes More General

INDICATIONS of a tendency to recession in the business activity which had been a conspicuous feature of the national situation during the autumn still continue to make themselves evident, and are reflected in investment, money, and price relationships. On the whole, it is still true that there is a moderate upward movement of prices, but this trend is so relatively slight as to throw but little light upon the essentials of the situation. On the other hand, the drift toward higher costs of capital for doing business is still in evidence, and there are indications of slowing-down in trade as a result. But conditions are still very much "mixed," and the trend in prices and credit is still somewhat confused.

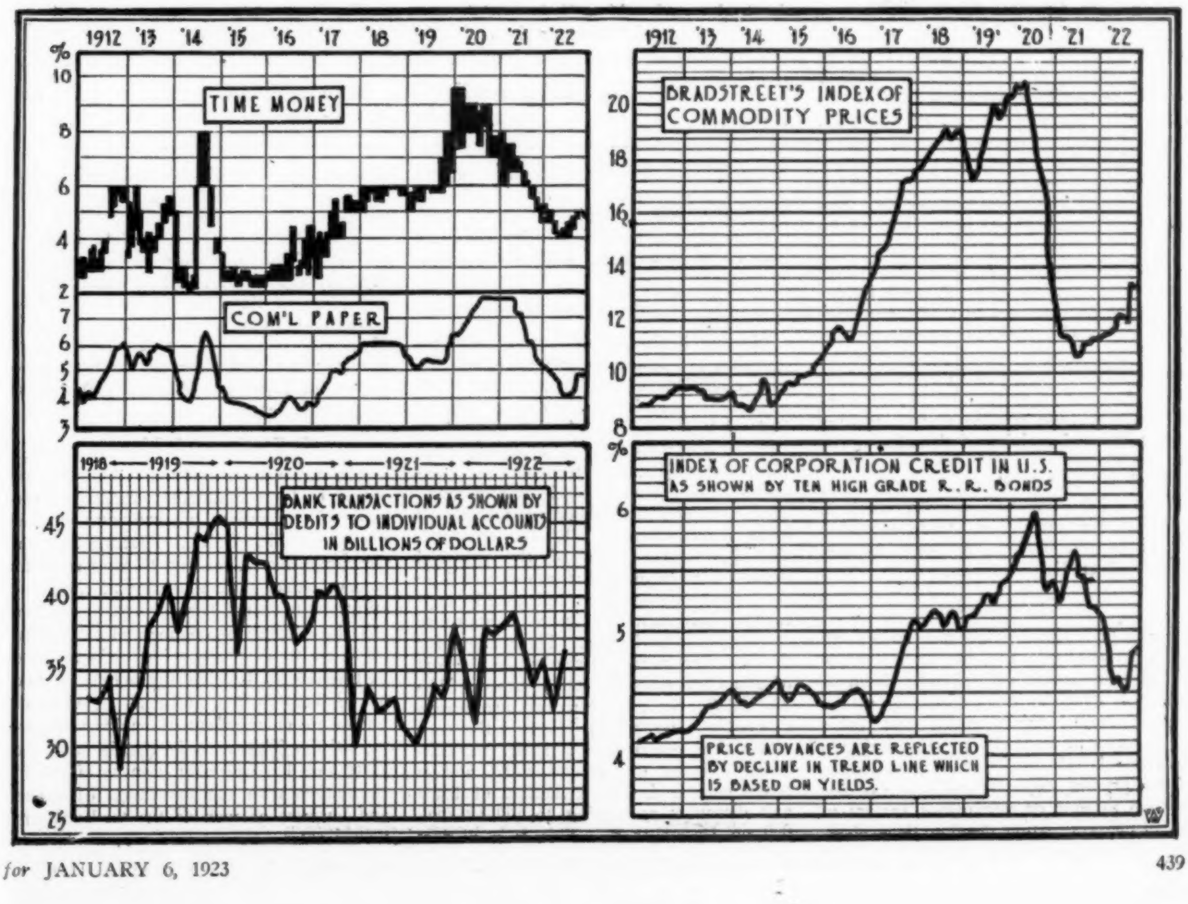
The Price Situation

Prices, which tended upward so decidedly during the late summer and early autumn months, are not at a standstill, but about as close to it as under present conditions they can come. The last report of the Federal Reserve Board's index number, published on December 15, showed a gain of 1 point for the preceding month, while the Bureau of Labor Statistics showed approximately the same. Commercial price indexes, as reflected by the accompanying graph in which is plotted the figures of Bradstreet's, reveals this same slowing down in the upward movement of prices, although there is still no definite indication of recession.

Commercial forecasters continue to look for a limited upward movement in commodity values, continuing perhaps during the next three or four months, and thus far there is apparently nothing to indicate the reverse of these predictions, save the fact that business is now in many lines rather less active than heretofore. This fact taken by itself should point to a limitation of the price movement, bringing it to a standstill perhaps, or causing recession. But there are other factors which operate in the opposite direction and which thus far offset any reflex influence resulting from the check to business.

Money Outlook

Closely connected with the price situation is, of course, the money outlook, which, on the present occasion, seems to run very closely parallel to that regarding prices. The trend of money has been about stable or very slightly upward during the past few weeks, notwithstanding temporary or seasonal year-end reactions of slight amount in time funds, which have enabled some traders to get their accommodation a little lower than they might two or three weeks ago. The rate for time funds in New York has, however, been apparently "pegged" around 4¾ @ 5%, while commercial paper has been in very much the same position, although perhaps a shade lower in its rate. Business demand has been rather less active of late in the volume of accommodation, a fact which is responsible for the



hesitation of money in its movement toward higher levels. Still the tendency of money charges, both time funds and commercial paper, is upward, and the indications of the investment market favor a moderate tightening of rates during the early months of 1923.

Cost of Long-Term Credit

A like situation is reflected in the long-term credit field. Bond indexes have shown for the past month a slight decrease in average values amounting to something like 1½ points. This tendency has been most marked in industrial securities as is seen from the line on the accompanying graph showing the index of corporation credit, that still points upward, this trend showing the slightly higher cost of accommodation to the public growing out of an increased relative yield which results from the lower quotation of the securities themselves in the actual market from day to day. The lower values for corporation issues, and the higher costs of credit to the borrower who is looking for investment funds, are the natural outgrowth of a situation in which bank credit is gradually tightening, or in which, to put it in another way, the "slack" is being steadily taken up.

Lower Activity of Demand

Coinciding with these tendencies as thus revealed, is the fact that the average of bank transactions or debits to deposit account is moving downward. This is always true towards the end of the year, when, in spite of holiday demands in retail trade, there is a sagging off of general business which (from the seasonal standpoint) lessens the strain upon credit. The activity of bank deposits is still well above that of 1921 for the same season, but it is relatively not as far ahead as it was some time ago. This points to a lessening in the business use of credit, and suggests that such inflationary tendencies as have been noted of late may perhaps be temporarily checked, due to the uncertainty of the prospects for the manufacturing industry, and foreign trade. Insofar as the lowered activity of deposits at the present moment is more than seasonal, it thus shows rather clearly the fact that the same influences which are at work in reducing the activity of trade in other directions are likewise at work in this branch of credit operations.

Conclusion

Indications thus seem to point on all hands to moderate reaction as a feature of the near future, with slowing down or reduction of rates or increase in prices, interest levels, bank credit, and other allied series of data. This again, it should be remembered, is simply the indication of the present moment, and may call for revision as new or unexpected factors in the business situation develop themselves.

A Significant Ruling on Banking

IMPORTANT action has been taken by the Federal Reserve Board by extending the maturity of acceptances drawn by growers of staple agricultural products upon Cooperative Marketing Associations, thus making them eligible for purchase or discount by Federal Reserve Banks, even when drawn for this longer period.

Situation as to Acceptances

For some time past the Federal Reserve Board has been allowing acceptances made for the financing of export trade to run as long as six months. Not very long ago also, the Board made eligible for discount acceptances which had been drawn to finance the domestic storage of commodities pending the development of the marketing process. Now a final step is taken by allowing acceptances drawn by growers of staple products or by cooperative associations to have the six months maturity for the paper.

Statement of Explanation

According to the Board, in a statement of explanation, "several kinds of borrowers are involved. If the grower desires to do the borrowing himself, he can draw a draft on the cooperative association at the time he delivers his crop, the association accepting it. He then discounts the draft at his local bank, which under the ruling, may rediscount it at a Federal Reserve Bank as agricultural paper with a maturity up to six months. If the association itself wishes to borrow directly from a bank in order to make payments to the growers who are its members, its notes are eligible for rediscount, but the Board has held that, under the existing law, such notes are commercial notes, the maturity of which must not exceed ninety days, because the proceeds of such notes are used for the commercial purpose of buying the commodities from the growers."

Speculative Operations Barred

The Board has pointed out, however, that in cases where products are carried for speculative purposes, the paper growing out of such operations would be ineligible for rediscount because the Reserve Act does not countenance paper drawn for speculative purposes. It also points out that, in order to ascertain whether or not a cooperative association is engaged in orderly marketing rather than speculative holding, it is not improper to take into consideration the fact that each crop must ordinarily support the market until the next crop is harvested.

THE BANKING SITUATION

(Continued from page 438)

ing to observe that the bills on December 20 show a decrease of 55 million as compared with the 922 million held a week earlier. This, however, is hardly more than could be expected from the seasonal standpoint.

Member Banks More Responsive

Member banks are of course more responsive, and hence better indexes of current conditions. The approximately 800 institutions which report weekly to the Federal Reserve Board have, as noted on further occasions, shown a decided upward tendency during the autumn. Reaction is now making itself felt in many quarters and the rapidity of advance is being slowed down in all. The comparative figures for some of the principal items of member banks are depicted in the accompanying chart but weekly fluctuations are now of more significance than general tendencies. These show for the statement issued December 20 a report of loans and discounts amounting to $11,258,091,000. Since these reports are always delayed one week in publication the condition thus referred to is really the condition existing on December 13, and is to be compared with a holding of loans and discounts amounting to $11,246,796,000 on December 6. This is a distinct recession in rate of gain. Especially interesting is the fact that loans and discounts are about 50 million below the level of the corresponding date in 1921, although loans, discounts and investments together are about 1 billion higher. The indication of these figures evidently is to show that there is still a very decided "lag" in banking accommodation, notwithstanding that demand deposits have shown an expansion of about 800 million during the year.

Indications of Figures

The obvious indication of these figures seems to be a tentative reduction in the rate of expansion of banking demand upon upon the Federal Reserve System. Certainly this is not due to high rates at reserve banks since the rates at those institutions have not been changed. Neither has the advance of commercial rates been sufficient to discourage borrowing. The fact seems to be that the actual volume of business is not sufficient to warrant immediate enlargement of banking accommodation. This accords closely with the facts that have already been set forth in connection with the movement of prices and business as well as the tendencies in money rates.

SERVICE SECTION

ANSWERS TO INQUIRIES.

Industrial Securities

BETHLEHEM STEEL DIVIDEND OUTLOOK

Earnings for 1922 Not Expected to Show More than Preferred Dividend Earned. Continuance of Common Dividend in Doubt

As the holder of several hundred shares of Bethlehem Steel B stock I have been disappointed in the recent market action of the stock and would like your opinion as to whether the present dividend rate is fairly secure. In view of the large profits made during the war and the fact that most of these profits were put back into the property, I reasoned that there must be real value behind the common stock and that it was a good specvestment. So far I have been wrong as the stock shows me a substantial loss at present price of 60. Do you advise accepting the loss or holding on.—H. L. M., Crawfordsville, Ind.

It is quite true that Bethlehem Steel plowed back a large part of its profits during the war and inflation periods back into the property and that, as a result, there is now a very large asset value behind the common stock. Dividends, however, especially when the management is conservative, are paid out of current earnings and in the case of Bethlehem Steel earnings in 1922 were decidedly unsatisfactory. While official figures are not yet available reliable estimates are to the effect that the company is not likely to show more than the preferred dividends covered leaving nothing for the common stock. In taking over Lackawanna and Midvale the common stock of Bethlehem will be largely increased and as earnings from these two companies are not likely to be very satisfactory for at least some time to come it will be a heavy burden for Bethlehem to continue the present dividend rate. We deem it likely, therefore, that the dividend will be either reduced or passed in the near future. Bethlehem Steel management is highly efficient and by taking in these new properties will have a well-rounded organization. Future possibilities of the company we regard as very promising but as the immediate outlook for the common stock is unfavorable we would advise disposing of it, for we feel that later on the opportunity will be presented to purchase it at a lower price level.

PACKARD MOTOR

Output Increased

About a year ago I read an article in the MAGAZINE OF WALL STREET *on Packard Motor Car recommending the stock as a good speculation. I purchased 200 shares at an average of 6½ and still hold it, having received a 100% stock dividend. Would you accept the large profit the stock now shows or hold for further appreciation in value.—G. H. K., Pittsfield, Mass.*

Packard Motor has made a good comeback in earnings and for the year ended August 31, 1922, reported a profit of over a million after payment of preferred dividends. This compares with a deficit of 2.3 millions in the preceding fiscal year. On the increased common stock 1922 earnings were equal to 45 cents a share. Company is now producing cars at the rate of 1,800 a month and it is planned to increase this output to 2,250. The efficiency of the company's plants have been increased to a marked degree and it is getting out this increased output with a smaller organization and reduced inventories. In the past two years the management has made great efforts to have its products handled by the very strongest distributors and dealers and has met with marked success in this respect. Company's product is now handled by 696 distributors as compared with 372 a year ago. Largely as a result of this policy the demand for its cars has greatly exceeded production. Balance sheet as of August 31, 1922, reveals an unusually strong financial condition with cash and Government securities on hand totaling over 15 millions. Whil we feel that the outlook for this company is very encouraging, the stock at 11 is selling nearly four times its price of a year ago, including the stock dividend, and has, in our opinion, gone a long way toward discounting the improved condition of the company. Our advice is to take profits.

HENDEE MANUFACTURING

Increase in Business

I have been told that Hendee Manufacturing stock selling at 18 is a good purchase, that the company's business is much better now and the outlook is good. Would like to have your opinion of the stock.—D. L., New Haven, Conn.

Since inauguration of its selling year, August 1, the Hendee Manufacturing Co. has experienced a very gratifying increase in new business. Factory schedules call for a production in the fiscal year to end August 31, 1923, of 20,000 motorcycles. Unfilled orders at the present time are for about 5,000 machines, sufficient to keep the factory at capacity for three months. A recently inaugurated sales plan in conjunction with the partial payment method of selling motorcycles has been very successful. In the years ended August 31, 1921 and 1922, Hendee made a very poor showing, piling up a deficit for the two years of 2¼ millions. A large part of these losses, however, were due to inventory depreciation and losses on investments in other companies. Despite these losses the company is in good financial condition. As of August 31, 1922, current assets totaled over 2 millions, as against current liabilities of $650,000, a ratio of over 3 to 1. Capitalization consists of $1,000,000 7% preferred stock and $10,000,000 common. There is no funded debt. A value of 100 a share for the preferred stock and 18 for the common gives a market value for the company's securities of only 2.8 millions, which compares with net tangible assets of about 3.5 millions. A new general manager recently took charge of the plant and it is understood that reductions have been made in the overhead expense. At present price of 18 the stock appears to have fairly good long pull prospects, although it is, of course, a highly speculative issue.

COPPER RANGE

Owns Half Champion Copper

Please advise me in regard to Copper Range stock. It sold up to 45 this year but has since declined to around 37. What is the outlook for further dividend payments?—H. F. M., Boston, Mass.

Copper Range Co. is the second largest producer in the Lake Superior District including one-half the output of Champion Copper Co. which company it owns jointly with the St. Mary's Mineral Land Co. Copper Range is producing from its three mines between 2,500,000 and 2,600,000 lbs. of copper a month and is making fair profits at present price of copper, as it can lay down its copper in New York for approximately 11 cts. a pound. Champion, where the ore now being mined yields better than 40 pounds of copper a ton, is producing at a cost of between 8 and 9 cents a pound. Copper Range has net quick assets of about $5,750,000 mostly in cash and government securities. It paid $1 a share early this year on the 394,000 shares outstanding and could pay another dividend at any time in view of the strong financial condition and the fact that operations are showing a profit. For the past ten years earnings have averaged $5.42 a share on the stock. At present price of about 38 the stock appears to be selling high enough in view of the earning power demonstrated in past years. Of course should there be a boom in the copper industry the stock could go consid-

erably higher but we do not look for any such development and feel that your best course would be to dispose of it around present prices.

CONSUMERS POWER CO.
Increased Earnings

I hold 100 shares of Consumers Power 7% preferred stock purchased at 98 and will be greatly obliged if you will let me know how the company is doing and your opinion as to the desirability of this stock as an investment.—F. K. P., Grand Rapids, Mich.

Consumers Power Co. has shown marked improvement in earnings in the current year. For the ten months ended October 31, 1922, surplus after payment of preferred dividends was $2,261,008, an increase of $709,971 over earnings in the same period of 1921. These earnings are at the rate of about three times the preferred dividend requirements. Consumers Power Co. is controlled through common stock ownership by the Commonwealth Power Railway & Light Co. whose operating properties form one of the largest public utility systems in the United States, serving a population of 1,250,000 in the States of Michigan, Ohio, Indiana, Illinois, Wisconsin and Kentucky. Consumers Power recently completed a new power plant on the Muskegon River which has an estimated annual output of 31,000,000 k.w.h. In view of the large earnings now being reported and the possibilities of the company for future growth we regard the preferred stock an attractive business man's investment and as at present price of around 100 it gives a liberal yield we would advise holding the stock for investment.

CROWN RESERVE MINING
New Ore Body Discovered

Have had for some years a few hundred shares of Crown Reserve Mining Co. stock and had about given up hope of its ever advancing. However, it has climbed up about 10 cents in past few months. Can you give me any explanation for the advance and the outlook for the company?—J. A. S., Jersey City, N. J.

Up to 1916 Crown Reserve Mining Co. profitably operated its mining property at (*Please turn to page* 452)

Railroad Securities

WESTERN PACIFIC
Earned Preferred Dividend

Would appreciate your letting me have a statement of earnings of Western Pacific. I hold some of the preferred stock.—A. G. H., Baltimore, Md.

Report of Western Pacific Corporation for the year ended June 30, 1922, shows net income of $4,524,891 after expenses and taxes. The corporation, however, deducted from this item owing to pending liquidation, $2,928,814 received as dividends from Utah Fuel stock and transferred that sum to deferred income account. After making this deduction, balance was sufficient to cover the preferred dividend requirements and leave a balance equal to 9 cents a share on the common stock. The dividend paid by the Utah Fuel Co. represents accumulated earnings of the years 1918, 1919, 1920 and 1921. Balance sheet as of June 30, 1922, shows a strong financial condition with cash and marketable securities on hand of over 8 millions.

NEW YORK CENTRAL
Earnings Cut by Strikes

Having heard so-called reliable reports to the effect that New York Central was going to increase its dividend rate from 5% to 7% I foolishly bought 300 shares at 96. As you know the regular dividend was declared and the stock now shows me a three point loss. What do you consider the chances for an increase in the rate at the next meeting and would you advise holding the stock or closing out?—D. H. P., Morristown, N. J.

New York Central in the beginning of 1922 promised to have a very good year, but the reduction in rates and the coal and shopmen's strikes cut severely into earnings. For the 10 months ended October 31, 1922, earnings were at the rate of only 5.90% on the stock, so that for the full year the dividend will not be covered with a very wide margin to spare. We are not of the opinion that the rate will be increased at the next meeting. It is possible that earnings will warrant an increase, but we feel that the management will consider it unwise to pay larger returns to stockholders at this time in view of danger of legislation in Washington unfavorable to the railroads. As a 5% stock New York Central looks high at present price of 95 and we believe it best to sell out and accept the loss.

CHICAGO & ALTON
Common Unattractive

Now that Chicago & Alton stock and bonds have had a big decline, do you consider the common stock or the 3½% bonds attractive speculations? Do you believe the road will come back?—A. J. R., Philadelphia, Pa.

We see nothing attractive in Chicago & Alton common. The 3½% bonds mentioned by you are a second mortgage on the property and are very speculative. However, at around present prices, they would appear to be a fair speculation and certainly your position would be much stronger than as a holder of the common stock. As to the opportunities for the road recuperating, we will say that, frankly we are not at all impressed with the possibilities in that line. The only hope, as we see it, is the possible future combination with some large road which might improve the position of the 3½% bonds.

ST. PAUL COMMON
A Switch Suggested

Your opinion of the outlook for St. Paul common will be appreciated. How are earnings running? Would you switch into some other stock?—S. F. G., Lexington, Ky.

For the first ten months of 1922, St. Paul showed earnings equal to about 65% of its fixed charges, allowing for normal earnings in the last two months of the year. The last two months, however, are likely to show earnings somewhat in excess of normal, so that for the full year St. Paul may make a somewhat better showing, but will, in all likelihood, fall short of covering its fixed charges. The political situation at the present time looks rather ominous for the railroads. The radical group in Congress, from advices we have been able to obtain, are going to make a big fight to have the Esch-Cummins bill repealed and perhaps other legislation which would be unfavorable to the railroads including a reduction of rates on commodities. It is impossible at the present time to estimate just how far this legislation will be successful, but as the radical group are working with the farm bloc, promising to support legislation favorable to the farmers in return for their support of anti-railroad legislation, there appears to be a fair chance of some unfavorable railroad legislation being put through.

In the October 14th issue of The Magazine of Wall Street under the Outlook we definitely stated that it was advisable for subscribers to sell out all their common stocks including railroad shares. We have felt that railroad stocks have been a sale ever since and we do not favor them at the present time. A good switch for St. Paul common in our opinion is Consolidated Textile.

FRISCO INCOME 6s
Switch to Adjustment 6s Advised

As the holder of St. Louis & San Francisco Income 6s I have been disturbed by the market action of these bonds and have under consideration switching to the adjustment 6s. What are the earnings of the road and would you advise the switch?—F. K. L., Los Angeles, Cal.

For the first ten months of the current year, the St. Louis & San Francisco R. R. showed net earnings after rents of $12,470,490, as against $15,349,298 for the same period last year. Estimating earn-

SPECIAL REPORT DEPARTMENT

We have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

ings at $1,000,000 for each of the two remaining months, total earnings for the year will be around $14,475,000. Fixed charges require around $9,700,000, and interest on the cumulative adjustment and income bonds approximately $4,500,000, so the road will probably show the interest on the income bonds earned. The situation for the transportation companies at this time is very uncertain due to the threatened adverse legislation in Congress. Frisco has developed an earning power which would warrant the belief that it could take care of the interest on the income bonds under normal conditions, but with the uncertainties which now exist, while we regard the income bonds as a fair speculation, we believe it would be safer for you to transfer into the adjustments, as your position would be stronger from an investment point of view; interest claims on these bonds having preference over the income 6s and interest thereon is cumulative which is not the case with the incomes.

New Security Offerings

ESTEY-WELTE CORP.

Stock Offering

Kindly let me have what information is available in regard to the Estey-Welte Corporation which recently offered one share of preferred and two shares of common for $150. —G. J. L., Reading, Pa.

Capitalization of Estey-Welte Corporation consists of $1,500,000 8% cumulative preferred stock and 45,000 shares of common stock of no par value. Through its subsidiaries the company manufactures the Estey piano, the Welte-Mignon Autograph pianos and Philharmonic pipe organs. The Estey-Welte Corporation controls patented inventions which accurately reproduce the playing of pianists and organists; also the copyrights of the performances of 285 of the world's greatest artists. We do not favor the purchase of the stock for we feel that the popularity of radio receiving-sets as well as the phonograph industry may reduce the opportunity for profits in the player-piano field.

NATIONAL SUPPLY CO.

Common Stock Offering

Please let me have your advices in regard to the common stock of the National Supply Co. recently offered at 56.—J. L. P., White Plains, N. Y.

National Supply Co. capitalization consists of $7,265,000 7% cumulative preferred stock par $100 and $12,125,000 common stock par $50. The company, with its subsidiaries, is engaged in the manufacture and sale of equipment, machinery and supplies for all branches of the oil industry. Approximately 90 stores and warehouses are maintained in important oil fields. For the past ten years, earnings have averaged over 2 millions, equivalent to $8.34 a share on the common stock. In 1921, earnings were $5.38 a share and earnings for 1922, partly estimated, were $12.75 a share. Net quick assets are equal to $50 a share on the common and total net assets (exclusive of good will) to $75 a share. While this stock appears to have good value behind it and a satisfactory earning power has been demonstrated we do not favor its purchase as general market conditions in our opinion do not warrant the purchase of speculative securities at this time.

VERTIENTES SUGAR 7s

Yield 7.25%

In view of the improved outlook for the sugar companies I have been of the opinion that desirable investments may be found in some of the sugar bonds. I have in mind particularly the recent issue of Vertientes Sugar Co. 1st mortgage 7% bonds which are offered to give a return of 7.25%. What is your opinion of this issue?—S. M. L., Montclair, N. J.

Vertientes Sugar $10,000,000 1st mortgage 7s, due 1942, are secured by a direct first mortgage on all the company's mortgageable property and will constitute its only funded debt. A recent appraisal gives a value of 17 millions to the company's fixed assets. The company owns two modern mills in the Province of Camaguey, Cuba, and owns or controls cane-growing lands aggregating 345,000 acres. Present capacity of mills is 600,000 bags a season and development program calls for a capacity of one million bags for the 1924-5 season. We agree with you that the outlook is improved for sugar companies such as this and consider the issue an attractive business man's investment at the offered price of 97½ to yield 7.25%.

G. W. VAN SYLKE & HORTON 7s

Business Man's Investment

Please let me have your opinion of the G. W. Van Sylke & Horton 7% bonds.—H. T. U., Troy, N. Y.

G. W. Van Sylke & Horton $750,000 7% bonds, due 1933, are a direct obligation of the company and are issued under a Trust Agreement which provides that, except purchase money mortgages, no mortgage or other lien shall be placed upon any of company's fixed or permanent assets now owned or hereafter acquired, except such as may be consented to by holders of 75% of bonds, unless the bonds of this issue share in the lien thereof. Balance sheet as of September 30, 1922, after giving effect to this financing, shows current assets of $1,698,044, as compared with current liabilities of $366,075. The company is one of the largest manufacturers of medium-priced cigars in the country. Its goods are sold in 50,000 stores located mainly in the New England states. Net earnings for the six years and 11 months ended November 30, 1922, after depreciation and inventory adjustments, averaged about four times interest charges on this issue. For the 11 months ended November 30, 1922, earnings were eight times interest charges on this issue. A sinking fund provides for the retirement of 65% of issue before maturity. They are callable in whole or in part at 107½. At the offered price of par to yield 7% we regard these bonds as a good business man's investment.

DALLAS JOINT STOCK LAND BANK

5% Farm Loan Bonds

Considering purchase of Dallas Joint Stock Land Bank 5% Farm Loan Bonds offered at 102¼ to yield 4.7% to 1932 and 5% thereafter. Do you consider this a desirable tax exempt offering?—S. T., Chicago, Ill.

The Dallas Joint Stock Land Bank 5% Farm Loan bonds are exempt from Federal, State, Municipal and local taxation. This bank operates in the states of Texas and Oklahoma. The stated policy of the bank is to restrict loans to the black land belt of these two states where land values have been well established for many years. We regard this issue as an attractive tax-exempt security.

CENTRAL INDIANA POWER PREFERRED

Yield 7.78%

I note that Central Indiana Power Co. 7% preferred stock is offered at a price to yield 7.78%. This is a very attractive yield, but before purchasing I would like to have your opinion of the stock. I might say that my financial position is such that I feel justified in placing part of my funds in securities regarded as semi-speculative.—G. G. K., Taunton, Mass.

Total authorized issue of Central Indiana Power Co. 7% cumulative preferred stock is $10,000,000 of which $5,500,000 will be presently outstanding. Company owns or will acquire all the capital stock of companies furnishing public utility service in 70 cities and towns in Indiana. Total generating capacity of these companies is 51,000 k.w. The values placed on the properties by the public Service Commission of Indiana, together with the value of the new power station to be constructed, as recognized by the Commission, totals about 28 million, which after deducting funded debt is equal to $150 a share on the preferred stock outstanding. Earnings for the twelve months ended September 30, 1922, after deducting depreciation, were equal to twice that portion of the annual dividends on the 7% preferred payable out of earnings up to the time of the completion of the new power station. For a security that gives so liberal yield it appears to be well fortified from both an earning and asset standpoint and as you state you are in a position to assume a certain amount of risk we believe it all right for you to invest a portion of your funds in this issue.

·SERVICE·SECTION·

Income Tax Department

Conducted By M. L. SEIDMAN, C. P. A.

IN the last article the general question as to who is subject to the Income Tax under the Revenue Act of 1921, was discussed. A distinction must here be made between persons subject to tax and persons required to make a return, because not every person who is subject to the tax must make a return, nor is everyone that must make a return subject to the tax.

The law requires that every individual having a net income for the taxable year of $1,000 or over, if single or if married and not living with wife or husband, must file a return showing income and deductions even though no tax need be paid. The same is true of every individual having a net income for the taxable year of $2,000 or over if married and living with husband or wife. Likewise, even though a single or a married person has no net taxable income whatsoever, a return must be filed if the gross income exceeds $5,000 for the taxable year. It might be parenthetically noted here, although the subject will be discussed in greater detail in a subsequent article, that by gross income is meant in the case of a merchandising business, income from sales less cost of goods sold, plus any income from investments and from outside operations. In the case of individuals not in business but earning a salary, it has reference to the income from salary plus income from any other sources.

For Married People

Furthermore, if a husband and wife living together have an eggregate net income for the taxable year of $2,000 or over, or an aggregate gross income for the year of $5,000 or over, each must make a return or the income of each may be included in a single joint return. If the latter method is adopted, the tax will be computed on the aggregate income. It is entirely optional whether or not a joint return will be filed, and so it has been held that a husband and wife may elect to file a joint return one year and separate returns the next, regardless of whether such election results in a benefit to them or to the Government. The advantages or disadvantages of a joint return will be treated in the discussion of the tax rates effective for the year 1922.

A minor is required to make a return if he has a net income of his own of $1,000 or over and is single, or $2,000 or over if married, or a gross income of $5,000 or over. Income is deemed to be his own when the minor has been emancipated by his parent or where the income is derived from property which he posesses, or from funds held in trust for him. Unless a minor has been emancipated or has income on his own account, a parent will be assumed to have the legal right to the earnings of the minor and must include them in his return.

Every partnership is required to make a return showing its income and deductions, as well as the names and addresses of individuals entitled to a share of the income, and the amount of their distributive shares. In this connection it should be noted that the death or withdrawal of a partner ordinarily dissolves the partnership and that a return is required for the period covering the beginning of the partnership's taxable year to the date of its dissolution. If the business of the partnership is continued, a new accounting period is established and the next return must cover operations beginning with this new period.

THIS is the second of a series of articles on the income tax requirements which will appear in this publication regularly. Mr. Seidman is a well-known tax expert and has written numerous articles on taxation. Mr. Seidman will answer any question on the subject directed to him by our readers. Such questions should be addressed to this paper, in care of the Tax Editor. To receive attention, all communications should be signed by the writer. Mr. Seidman's answer, however, when published will not reveal the identity of the inquirer.

Every fiduciary or trustee, except a receiver appointed by law and in possession of only part of the property of an individual, must make returns for the individuals, estates or trusts for which he acts, where the individual has a net income of $1,000 or over if single; $2,000 or over if married, or $5,000 or more of gross income, or where the estate as such has a net income of $1,000 or over.

Corporations

Every corporation must make a return unless expressly exempt from tax, regardless of the amount of its net income. This is so even if the corporation has been in existence but a portion of a taxable year. When two corporations are affiliated, a consolidated return may be made instead of individual returns. Under prior laws no option in this respect could be exercised, it being mandatory for the consolidated return to be filed. The 1921 Act, however, gives such corporations the right to exercise the option.

The foregoing refers to returns of income solely. Besides the income returns, subsidiary and informational returns are required to be filed. Thus, all individuals, corporations and partnerships making payment to another individual, corporation or partnership, of interest, rent, salaries, wages, etc., of $1,000 or more in any taxable year, must file what is known as information returns, annually.

Rate of Income Taxation

Thus far there has been outlined in the series "who is subject to the tax" and "who must make a return." This article will discuss the rates of income taxation.

The tax on individuals is of the two-fold nature—a normal tax and a surtax. The normal tax is at the rate of 4% upon the first $4,000 of net taxable income after deducting exemptions and 8% upon the net income in excess of $4,000. Thus for normal tax purposes, if an individual's net income were $10,000, $4,000 less exemptions would be subject to the normal tax of 4% and $6,000 to the normal tax of 8%.

The net income for surtax purposes need not be the same as the net income upon which the normal tax is computed. It is not intended here to go into the question of net income, since a subsequent article will discuss it in detail. It is best to note at this time, however, that dividends from a domestic corporation and, in some instances, foreign corporations, are not subject to the normal tax but are surtaxable. So also is interest on Liberty Bonds, etc.

For 1922 the surtax rates range from 1% to 50%. The 1% rate is applied on the income between $6,000 and $10,000. Net incomes less than $6,000 are not subject to the surtax. The surtax rates graduate upon the basis of 1% increase in the rate for each additional $2,000 of income after $10,000 and up to $1,000,000. Thus, income between $10,000 and $12,000 is subject to a surtax rate of 2%. The next $2,000 of income is subject to a tax rate of 3% and so on. The last $2,000 of a total income of $100,000 is surtaxed at the rate of 47%. The next $50,000 of income is taxed at the rate of 48%, and $50,000 thereafter at 49%. This brings the basis

(*Please turn to page* 464)

NOTE:—In the first installment of the Tax Department appearing in the December 23d issue, the conductor of the Department was stated as J. R. Seidman. This was an error. Mr. M. L. Seidman is the author of these articles.

TRADE TENDENCIES

Business Momentum Less Rapid

Irregularity in Industrial Conditions—Price Level Holds—Competition on Large Scale

STEEL

Buying Quickens

A NOTEWORTHY feature of the iron and steel market in the past two weeks has been the unexpected interest manifested by consumers in requirements for delivery through the first quarter of the new year. Demand has an appearance of greater activity than for some time, the result being that unfilled orders again show a tendency to accumulate with a particularly noticeable effect upon prices.

The firmer trend of quotations is illustrated by the fact that representative iron and steel products, on the average, show an upturn for the first time in many weeks and the situation generally is stronger. On the whole, it is probable that the firmer trend of prices will be maintained, supported by the more aggressive attitude of buying interests.

The fact that prices had fallen to levels tempting to consumers, after the rather protracted period of irregular decline, is undoubtedly the principal cause of the revival of new business. Sheets have felt this stimulus in large measure, while the demand for wire and nails has assumed unexpected proportions for this season of the year. As in previous weeks, railroad demand for steel continues to yield large tonnage orders but automobile and building requirements for 1923 are still more prospective than actual.

Production costs have receded from the peak of July and August insofar as fuel supplies are concerned, the stringency produced by the prolonged coal strike having been relieved. Furnace coke, for instance, has declined from a high level around $15 a ton to the neighborhood of $8. Pig iron has likewise fallen to $25 as compared with $34 a ton in midsummer. Generally speaking, however, the spread between operating expenses and selling prices remains much too great for satisfactory earnings for all but those companies which are in a favored position.

Further improvement in the transportation situation has enabled producers to dispose of finished goods previously piled up in their yards and, while this has a tendency to cut into unfilled tonnage by permitting speedier shipments, the unlooked for expansion in volume of new commitments should be an offsetting factor.

The outlook is favorable to maintenance of production at current levels, close to 80% of capacity, through the first quarter of 1923. Contrasted with a rate of 30% at the close of 1921, the extent of improvement in productive activity is at least gratifying, regardless of the need for further readjustment in other respects.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922 High	1922 Low	Last*
Steel (1)	$40.00	$28.00	$36.50
Pig Iron (2)	34.00	17.75	25.00
Copper (3)	0.14¾	0.12⅝	0.14¾
Petroleum (4)	3.50	3.00	3.00
Coal (5)	5.75	1.75	4.25
Cotton (6)	0.26¾	0.17	0.26¾
Wheat (7)	1.46	1.01¼	1.33½
Corn (8)	0.78¾	0.47	0.70¾
Hogs (9)	0.10⅝	0.08	0.08
Steers (10)	0.10½	0.08½	0.10½
Coffee (11)	0.11¼	0.09½	0.11¼
Rubber (12)	0.27	0.13¼	0.27
Wool (13)	0.57	0.45	0.56
Tobacco (14)	0.20	0.18	0.18
Sugar (15)	0.05¾	0.03½	0.05½
Sugar (16)	0.07⅛	0.04¾	0.07
Paper (17)	0.04	0.03½	0.04

* Dec. 27.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Production running close to 80% rate, with promise of continuation through first quarter. New business unusually large for this season. Prices stabilizing.

OIL—Conditions unchanged on the whole. Outlook favors continuation of present period of stable crude prices. Financially strong companies likely to enjoy fair profits.

COTTON—Commodity in very strong position. Short crop threatens insufficient supply in face of world requirements. Indications of ultimately higher prices.

WHEAT—Interest in wheat market largely influenced by possible developments in Europe. Argentine surplus reduced. Moderate improvement in prices probable.

TEXTILES—Increased buying activity anticipated with advent of new year. Uncertainty with respect to consumer purchasing power at higher price levels disturbing the industry.

SUGAR—Long range prospects promising. Statistical position strong. Higher prices augur well for producing companies. Refiners in better position.

SUMMARY—Business enters the New Year in hopeful mood. Outlook is for continuation of activity on same scale as recent months during early part of 1923. Many irregularities in situation and further readjustments yet to be made however. Competition promises to be very keen in struggle to capture business offering and period of modest net profits to be looked for. Uniform activity in all industries unlikely.

THE METALS

In Strong Position

The surprising spurt in copper metal prices, after many months of relative stability around the 14-cent level, has served to lift the red metal market out of its monotonous regularity with considerable abruptness. While the rapid advance to 14¾ cents a pound was accomplished without any marked changes in fundamental conditions and with such celerity as to suggest some reaction, it is probable that prices will be established on a higher level in the immediate future than those generally prevalent during 1922.

Following the advance in copper, practically the entire list of finished products has been placed upon a new basis of quotations to conform with the advanced cost of the raw material.

That copper is in a sound position is too generally known to require comment, although it is interesting to observe that stocks have suffered a reduction of between 225 millions to 235 millions of

(*Please turn to page* 448)

Activities of the

Investors' Vigilance Committee, Inc.

Cooperating With the Chambers of Commerce, Business Organizations and "The Magazine of Wall Street"

By RALPH W. BUDD, Manager I. V. C.

"A Man is Known by the Company He Keeps" and also "By the Company He Promotes"

HOW many times we have heard it said, "A man is known by the company he keeps," but in these days when promotion deals are running rampant, would it not be wise to add "and also by the company he promotes"? It is a surprising fact, however, that there are many "respected citizens" today who are not taking notice of the fact that the loaning of their name to this or that promotion may rob the small investor of his life's savings.

As the prospectus of this or that outfit come to our attention, we find that "Mr. So and So," a very respected and influential citizen of some community, where they are selling their valueless securities, is a member of their Board of Directors. When we analyze their "dope" and our inspector's report comes in, we wonder how this Mr. So and So, this "Mr. Respected Citizen" could or would loan his name to a proposition of this nature.

THE plans of the INVESTORS VIGILANCE COMMITTEE, Inc., with samples of the forms used, will be sent upon request to any Chamber of Commerce or other business organization in the United States or Canada.

It is the duty of every citizen of this country to secure the cooperation of his local business organization with this Committee so that his own community may be made safe for investors from these "vultures who are parading like peacocks" in their midst.

If the mail brings you, Mr. Reader or your friends, a specimen of promotion literature, remail it to this Committee and help in the "Round-Up."

The Wily Promoter

We have recently had brought to our attention the fact that the promoters of a certain moving-picture promotion scheme are claiming that a Governor of a certain eastern state is a member of their board. Their literature carries a letter from "The Governor," stating that he thinks very highly of the lady who is the head of the company, yet when our inspector called at the office of the promoters, we were unable to even obtain a cash statement. An advertisement setting forth in very alluring language the possibilities of investment in this company appeared in a local paper of a certain New Jersey city. Besides the letter from "The Governor," there were letters from "The Mayor," a "Judge of the Bankruptcy Court," a prominent attorney and two most prominent New York theatrical producers. Each endorsement set forth in so many words the advisability of purchase of these "highly speculative securities." BUT . . . upon questioning the theatrical producers we were told that the letter given to the company in question from which they quote "an offering of rare excellence" meant the pictures to be produced and **not** the securities offered. In this case you can see how careful Mr. Respected Citizen should be in giving his name on any letter in connection with any promotion enterprise. These promoters are onto their game and will take advantage of anything that will help promote it.

Then again, we came upon another outfit in the automobile industry trying to promote a corporation for the manufacture of a steam car. They are not quite so careful in the wording of their statements. Set forth in their stock report we find it reads, "Held by the . . . to be given desirable men who may become Directors." Which brings forth in our mind the question, "If a man has to be purchased by a gift of stock to become a Director, will he be a good director for the stockholder's interests?"

We also run upon another example of promoter's generosity where he had induced Mr. Respected Citizen to agree to purchase a certain amount of the stock at a greatly reduced price. Of course, the promise that Mr. R. C. does not need to put up any cash with the deal and also the very generous offer of the salesman to sell at the market the securities subscribed for, goes with the deal. Mr. R. C., you see, is to pocket the profit, BUT—does Mr. R. C. stop to consider that the few paltry dollars that the promoter hands him back as profit may be the life savings of Mr. Worker, induced to part with his all, simply upon the statement that "Mr. Respected Citizen is a stockholder in our company?"

Sometimes the local Banker or Merchant or Manufacturer, who is well endowed with the worldly goods, is induced to take a flier, to risk a little money in "our proposition." He goes in with his eyes open, he knows it's a gamble, but it's his play money, what if he does lose it, he can charge it up to experience. There's more where that came from. BUT—not so with Mr. Worker, who had listened to the golden flow of words from the slick-tongued specimen of the promoters' art. Induced to part with his hard-earned coin, money which at times is needed to provide the very necessities of life for his wife and family, simply because of Mr. Respected Citizen's connection with "our company."

Mr. Respected Citizen is undoubtedly a director in the local bank, perhaps on the Board of Directors of the local Business Organization, a leader in all forward civic movements, he lives as our friend Mr. Worker's family say "in that fine house upon the hill." His family move in the best society in the "town," he has made a success in life, and, of course, whatever he does can well be followed by his workers or townsmen. The workers look to Mr. R. C.'s house, his cars, as the very height of their ambition. They want the same luxuries for "their family." BUT—these ambitions can never be reached by their meagre earnings. To get them they must invest their savings that the family have helped to save by doing without the small luxuries that perhaps would have helped to make their lives more pleasant. Certainly the securities of the companies of which Mr. R. C. is a director or a stockholder will make a profit. Mr. R. C., to whom the worker looks for guidance, would not be connected with any company whose securities are not sound. Thus with the smooth talk of the salesman ringing in his ears, the thought of Mr. R. C.'s connection with the company paramount, the desire to give to his family the luxuries of this life, he invests. The company promoted by Hookem & Company "blows up." Mr. R. C. soon forgets the deal or laughs about it as he mentions "taking a flier in oil" to his friends. Not so with Mr. Worker. His life's earnings have been swept away, his savings, that have

(Please turn to page 456)

This page has been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Organizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

New Traps for Investors

Baiting the Hook With a Merger as the Bait—Dividend Checks That Come Back

By W. SHERIDAN KANE

THREE or four years ago when Burkburnett, Ranger, and Hoggtown (afterwards rechristened Desdemona) were coming into prominence as producers of oil, mining promoters who had traveled from Goldfield to Ely, thence to Cobalt and Porcupine, shook off their earlier prejudices against mixing into the oil game. As a consequence the baits that were used to lure the unwary into "investing" in oil stocks became more attractive, and more deadly.

Up to that time oil promotions had been looked down upon by the aristocracy of the world of bunk. The methods of the oil promoter were crude; his printing was done by some poorly equipped low-priced printer; his salesmen, when he had any, made their appeals mainly to the farmer or to the small merchants in the lesser communities. But usually only the mails were employed by these distributors of imitation securities.

When the Midcontinent oil boom spread into North Central Texas, the promoters of wabbly mining corporations pilgrimaged to Fort Worth and Wichita Falls. Business in the metal share game had long before slowed down. Every family had a full supply of "Mining and Milling" certificates. The old appeals were falling on ears that steadily grew harder of hearing. So the ex-mining promoters cruised the new oil fields lying to the north of Fort Worth, and scanned the promotion literature that was already beginning to put that city on the map in the opinion of those who measure civic achievement by the size of the postal receipts. They acquired options on a few oil claims, and began showing their elders in oil-stock-selling how to put a real promotion across.

"Wash" Sales

The new oil issues were distributed in various ways. In some cases a "wash" market was established on the New York Curb, and the stocks distributed through Curb brokerage houses, the promoters arranging to have huge daily totals of sales printed in the official sheets. They financed advertising campaigns and induced the Curb brokers each week to incorporate in their market letters remarkable stories of the supposed developments on these properties with forecasts of "much higher prices for the stock."

The Curb brokers not only obtained commissions from their customers but usually the promoters sold the stock to the brokers at a considerable reduction from the prevailing market price. In many instances they paid the brokers a bonus in free stock or cash at the end of each month, this being figured on the number of shares taken by the promoter during the month.

Other means employed by the promoters were the use of the time-honored sucker list, the "high-pressure" telephone salesman, and the traveling "security salesman," who scorned any sale that did not net him at least "one grand" as commission. "One grand," it may be explained here, is the financial underworld term for $1,000.

North Central Texas oil production dropped away. The oil industry went into a decline, and the country entered upon an era of deflation, readjustment, and general industrial dislocation. One by one the fake oil companies blew up, leaving behind them trails of blasted hopes and stockholders' lists that contained 5,000 to 25,000 names, lists destined to become 1922-1923 sucker lists.

Few of these corporations went through the formalities of bankruptcy. While their assets were nothing—the options on the property they held usually having been permitted to lapse—the liabilities were confined almost entirely to their stockholders. The promoters having distributed all of the stock that they could, simply bundled up the list of stockholders and the sucker lists that had proven worth while and faded out of the picture as gracefully and as silently as they could.

Things drifted along. In the Spring of 1922 the country entered the merger era. Any period of reconstruction embraces a merger stage. Corporations that have weathered the crisis find themselves, as a result of easing conditions, in such a position that they are justified in expanding their facilities and increasing their investments. Frequently they find other corporations with a less substantial financial foundation or a less prudent management, but with physical facilities that can be readily used to advantage by the stronger corporation, thus placing it in position to participate to a much greater extent in the general improvement in business.

The fellows of phony finance, as I have commented frequently, are men with keen, alert minds who would be found among the industrial and business leaders were it not that they prefer to gather in one dollar dishonestly to earning ten dollars legitimately.

Using Mergers as a Bait

Recognizing that we were entering the merger era they started to devise schemes whereby they could profit. Two of the leading groups of fake promoters appear to have hit upon the same scheme at the same time, and they have been working it with satisfactory profit to themselves ever since. Legally they appear to be perfectly safe. The only fault to be found with the whole plan is that those who fall for it are unlikely ever to have a single cent of their new "investment" returned to them. Succinctly, here is how this new trap for investors is worked:

The High-Low Oil Company—let us call it that—is organized ostensibly to develop oil properties in Texas. After acquiring 5,000 stockholders who put in all the way from $50 to $500 each, the company sinks into innocuous desuetude, as the late Grover Cleveland once remarked about something else. John Smith, who bought 100 shares of the stock, paying out $100 of his hard-earned money, has finally abandoned hope of getting back any of his funds. In the meantime the promoters of another flamboyant oil organization have come across the stockholder lists of the High-Low Oil Company and get in touch with the original promoters of that organization. An attorney regularly employed by this second company is called into conference and the promoters of the High-Low Oil Company are taken into the scheme.

All of the legal formalities of merging the two corporations are complied with. John Smith receives two letters at about the same time. One from the High-Low Oil Company, and one from the new corporation. The communications are substantially the same. The High-Low Oil Company directors notify Mr. Smith that the new corporation is a going concern with an excellent past record and a wonderful future. The High-Low Oil Company, "because of business conditions over which it has no control," has been unable to operate successfully. The new corporation, however, is so fixed that it can take over the properties and place the High-Low stockholders in a position where they will eventually realize profits as well as the return of their original investment. They inform him that the new company will advise him of the legal steps to take in order to participate in the merger.

The letter from the other company tells Mr. Smith just about what the High-Low communications did, and encloses certain forms to sign. He learns that all that is necessary is for him to send in his old stock certificate endorsed in blank accompanied by the proxy enclosed, authorizing the proxy trustees to vote his stock in favor of the merger—and accompanied also by his check to the amount of 25 cents for each share of stock he holds in the High-Low Oil Company. Upon con-

(*Please turn to page* 454)

TRADE TENDENCIES

(*Continued from page* 445)

pounds since the beginning of January, 1922, and production has yet to overtake consumption despite the fact that the margin between the two is gradually decreasing.

On the whole, the advance in prices is gratifying to producing interests but further correction in this direction is to be hoped for before the unfavorable aspects of keen competition, high labor costs and burdensome prices for fuel and other supplies may be fully compensated.

As with copper, zinc is in a sound position, although there is a noticeable tendency toward increasing output. Production for October reached 39,940 tons as compared with 33,134 tons in the preceding month and 14,538 tons in the same month a year ago. Stocks at smelters, however, maintained their downward trend falling to 18,043 tons at the close of October, touching the lowest point of the year. Demand is rather inactive for the present but prices are steady and a continuation of current firmness seems likely for the immediate future. That the producing companies are in a strong position is evident.

After a year of steadily advancing prices it is not unreasonable to look for a slowing down in the upward movement of lead. In other words, it is probable that this metal has made its largest gains, but the outlook remains decidedly favorable for maintenance of firm quotations and active demand. Production of this metal was not expanded by war-time stimulus and there is small danger of overproduction.

Despite its unfavorable statistical position, tin has risen for several months climbing to the highest price since 1920. This commodity is, unfortunately, under domination of speculative interests and until the market is permitted to respond to natural influences rather than artificial, it cannot be regarded as a healthy one.

MOTORS

Outlook Promising

Automobile manufacturers generally are preparing for a large volume of output in the new year in the expectation of an even greater demand than that enjoyed during 1922. On the whole, the past season has been one of the industry's most successful, especially with respect to record-breaking production, and indications now point quite clearly to a total output of approximately 2.5 millions of passenger cars and trucks, the largest figure reached in the history of the automotive world. It is plain that, should present hopes for 1923 be realized, boom conditions will exist so far as productive activity is concerned, at least.

Predictions that such a condition will obtain would be extremely hazardous at this time, however, for, even though the automobile is less a luxury than formerly, demand is greatly influenced by business conditions and the status of employment and purchasing power of the individual. What the new year will bring in these directions cannot, of course, be foretold, although the manufacturers are evidently optimistic on the outlook for the next few months, as already indicated.

One thing seems certain, however, and that is the further expansion in percentage of closed-car production to total output. Popularity of these models, as has been pointed out in these columns frequently, is increasing and manufacturers are still behind in deliveries. The greatest difficulty is apparently due to inadequate capacity of present body-building facilities, but steps are being taken to remedy this condition. Incidentally, it is of interest to note that, whereas the proportion of this year's output, which may be attributed to the demand for closed cars, is estimated as high as 28%, the percentage for the new year is expected to run up to possibly 35%.

Probabilities are that the tendency of competition to become more active in the medium and low-priced fields will continue. At the same time, a wider distribution of motor vehicles of these types is anticipated. A possibility to be kept in mind in this connection is the further recovery in farmer purchasing power should the price of farm products readjust itself more closely to general commodity quotations.

Individual price cuts have occurred at intervals in the past few months, as previously suggested here, but no general revisions have been put into effect. Further action in this respect may be expected with the advent of the annual show but the chances are that no drastic changes will occur even then. The tendency seems rather to be toward an increase in values at existing prices through the introduction or rather addition, of refinements and accessories.

RUBBER

Crude Rubber Strong

Notwithstanding the seeming lack of interest on the part of manufacturers in the crude rubber market, prices have steadily advanced, barring minor setbacks of course, ever since the British plan for control of plantation output was announced, with the result that the commodity is selling at the year's highest prices.

The upturn in sterling exchange has undoubtedly played a part in the rubber market's improvement in recent weeks and speculative activity is still in evidence. Producers of rubber goods are not disposed to enter orders in volume at this time because of the fact that this is the season for readjustment and taking of inventories. The tire companies are not expected to purchase heavily for some little time. In spite of this and the reluctance of buyers to purchase except on recessions, quotations are notably firm.

On the basis of figures for the first ten months of the current year, importations of crude rubber into the United States will total approximately 265,000 tons and the chances are that an even larger importation will be witnessed for 1923, in view of the growing consumption of the product in this country. Some estimates for next year run as high as 350,000 tons.

That the tire industry will continue to consume crude rubber in increased quantity seems probable. Output of pneumatic castings and inner tubes showed an increase in October over the two preceding months and production generally is holding well ahead of the same months last year. With more motor vehicles in use than ever before, the replacement demand alone has been greatly expanded and the expected large-scale production of automobiles in 1923 should be reflected in maintenance of the demand for original equipment.

While the prospects for increased sales are thus good, conditions in other directions might be better. Costs, for instance, are rising in practically all directions. As already pointed out, crude rubber is advancing and the danger of a short supply of cotton fabric is beginning to cause tire makers concern. Labor is, of course, high, in keeping with the situation in all industries.

Thus the recent price advances, which are now becoming general, were amply justified and almost imperative. Quotations on mechanical rubber goods have also been raised in conformity with the trend of tire prices.

Thus, if plain business men cannot seem to get up any great amount of enthusiasm over the outlook for 1923, that view seems perfectly rational in view of existing conditions. On the other hand they are not particularly pessimistic. Just "betwixt and between," as the old saying goes

WHAT'S AHEAD FOR BUSINESS?

(*Continued from page* 396)

bly have a hard time of it unless they can meet competitive prices of department stores and the like. Collections will probably continue to drag and the buying public will continue to seek bargains.

Not much profiteering is likely to be seen. Business interests are still too thoroughly scared on account of their 1921 experiences to force prices much higher. A few industries such as the equipments and chain stores are likely to do well. Certain special companies may even break all earnings records in 1923, but, on the average, the uphill climb will be a long and slow one, if indeed the whole procession does not have to turn about and descend once more on account of circumstances that cannot now be accurately forecasted.

Profits Eighty-five Times Cost of Service

In order to prove what our Associate Members have done during the past several months, we have tabulated the actual results of purchases made by Associate Members who followed our advices strictly and bought 100 shares of each of our recommendations on the dates mentioned.

Transactions under our Standard Plan during the period from September 1, 1921, to September 15, 1922.

Security	Date Purchased	Price Paid	**Date Sold	Price Received	Price Sept. 15	100 Share Basis: Loss	100 Share Basis: Profits*
S. O. of N. J.	†5-20-21	149	11-14-21	179	...	......	$3,000.00
Con. Gas	9- 2-21	67	3- 9-22 (½)	104½	...	......	875.00
Am. Loco.	9- 2-21	86¼	1-20-22	105½	...	......	1,925.00
Union Pacific	9- 2-21	118¼	1-26-22 (½)	127⅞	...	......	443.75
Beth. B.	9- 2-21	50	9-21-21	54½	...	......	450.00
Am. Su. Tob.	9- 2-21	43¾	9-21-21	42½	...	$125.00	......
Col. Graph	9- 2-21	3¼	4-15-22	3⅛	...	12.50	......
Cosden	9- 2-21	24½	11-14-21	33½	...	......	900.00
Am. Tel. & Tel.	9-22-21	106¾	1-26-22 (½)	116⅞	...	......	506.25
So. Pac.	9-30-21	79¾	1-27-22	80¾	...	......	100.00
Reading	9-30-21	72⅝	3-22-22	74⅜	...	......	175.00
Beth. B.	9-30-21	56¼	2-28-22	63½	...	......	725.00
Allis-Chal.	9-30-21	33	1-26-22 (½)	41½	...	......	425.00
Utah Copper	10- 1-21	52	12-19-21	63½	...	......	1,150.00
Corn Products	10-26-21	82	12-19-21	96½	...	......	1,450.00
Pacific Oil	†12- 6-20	36	10-28-21	47	...	......	1,100.00
U. S. Steel	11- 3-21	80⅜	2-25-22 (½)	94¾	...	......	718.75
Atchison	11- 3-21	85⅞	1-26-22 (½)	96½	...	......	531.25
Can. Pac.	11- 3-21	114	1-26-22 (½)	123¼	...	......	462.50
Texas Co.	†12-15-20	41	11-14-21	47	...	......	600.00
Ajax Rubber	†9-23-20	40	11-21-21	18½	...	2,250.00	......
Martin Parry	11-21-21	18½	1-26-22 (½)	31	...	......	625.00
Gen. Mot. 7%	11-22-21	80	1-18-22	82½	...	......	250.00
Int. P. pfd	12- 2-21	73⅞	4-19-22	66⅞	...	700.00	......
Tob. Prod.	1-18-22	64½	4-19-22	68½	...	......	400.00
Cosden	1-18-22	34¾	4-19-22	40¾	...	......	600.00
Am. Woolen	1-18-22	82¼	3-18-22	88⅝	...	......	637.50
Pan Am.	2- 7-22	52¾	3-18-22	56⅛	...	......	337.50
Cal. Pack.	2- 7-22	70½	6-16-22	75	...	......	450.00
Westinghouse	2- 7-22	53½	5-11-22	63	...	......	950.00
Am. Car & Fdy.	2-17-22	146	3-18-22	154	...	......	800.00
Texas Co.	2-27-22	46⅝	4-19-22	46	...	62.50	......
Cont. Can	†4-14-21	54¼	3-18-22	63¼	...	......	900.00
Atchison	11- 3-21	85⅞	3-18-22 (½)	97½	...	......	581.25
Studebaker	3-30-22	107⅞	4-19-22	117	...	......	912.50
Royal Dutch	3-30-22	54⅝	4-19-22 (½)	62½	...	......	393.75
Am. Car & Fdy	3-30-22	154⅞	5-11-22	160	...	......	512.50
Worth. Pump	3-30-22	50¼	6-16-22	49½	...	75.00	......
Ill. Cen.	3-30-22	101½	6-16-22	103½	...	......	200.00
Del., L. & W.	4- 8-22	114	5-22-22	128	...	......	1,400.00
Wilson 7½s	4-17-22	101	8-30-22	106	...	......	500.00
Man. Shirt	4-17-22	39	6-16-22	37	...	200.00	......
U. S. Steel	11- 3-21	80⅜	4-19-22 (½)	97⅝	...	......	862.50
Am. Smelting	†9-28-20	55	5-31-22	65¼	...	......	1,025.00
Va. Chemical	†9-23-20	54	6-16-22	30¾	...	2,325.00	......
Con. Gas	9- 2-21	67	5-11-22 (½)	117⅝	...	......	1,531.25
Un. Pac.	9- 2-21	118¼	6-16-22 (½)	135½	...	......	862.50
Amer. T. & T.	9-22-21	106¾	6-16-22 (½)	122¾	...	......	800.00
Allis-Chal.	9-30-21	33	5-11-22 (½)	48⅞	...	......	793.75
Can. Pac.	11- 3-21	114	5-11-22 (½)	141	...	......	1,350.00
Martin-Parry	11-21-21	18½	5-11-22 (½)	30¾	...	......	612.50
Royal Dutch	3-30-22	54⅝	5-11-22 (½)	63½	...	......	443.75
N. Y. Dock	4-29-22	34	6-16-22	38¼	...	......	425.00
Cosden	4-29-22	42¾	6-16-22	47⅛	...	......	437.50
Lee Tire	4-29-22	34	6-16-22	32½	See	††150.00	......
Chi. Pneu. Tool	4-29-22	68½	6-16-22	66¾	Note	175.00	......
Assoc. Drygoods	4-29-22	56	6-16-22	50½	...	550.00	......
Am. Woolen	4-29-22	92	5-11-22	91¾	...	25.00	......
Atl. Coast Line	5- 4-22	101	6-16-22	101¼	...	......	25.00
Atchison	5-20-22	100¾	6-16-22	98½	...	225.00	......
Nor. & West	5-20-22	107½	6-16-22	106¼	...	125.00	......
Ches. & Ohio	5-22-22	67½	6-16-22	64	...	350.00	......
U. S. Steel	5-25-22	101¼	6-16-22	97⅜	...	387.50	......
Ill. Cen. rts.	5-31-22	0	5-31-22	¾	...	......	75.00
Pitts. Coal	6- 1-22	65	6-16-22	62	...	300.00	......
Royal Dutch	6- 1-22	64	6-16-22	58⅝	...	537.50	......
Great Nor. pfd.	6-23-22	80	....	...	94¾	......	1,475.00
Cosden	6-23-22	48	....	...	53	......	500.00
Penna.	6-23-22	42	8-24-22	47	...	......	500.00
Marine, pfd.	6-23-22	75½	7-29-22	71½	...	400.00	......
Ches. & Ohio	6-23-22	66½	....	...	76	......	950.00
Utah Copper	6-23-22	63	9- 9-22	70¼	...	......	725.00
Atl. Coast Line	6-23-22	103½	....	...	123	......	1,950.00
White Eagle Oil	6-23-22	27¼	....	...	28¾	......	150.00
Westinghouse	6-23-22	58½	....	...	64	......	550.00
Brook. Ed.	6-23-22	107	....	...	120	......	1,300.00
S. O. of Ind.	6-30-22	103¾	....	...	117¼	......	1,350.00
Baldwin	6-30-22	112	9- 8-22	133¼	...	......	2,125.00
Chi. Pn. Tool	6-30-22	67	9- 9-22	89	...	......	2,200.00
Royal Dutch	6-30-22	58	....	...	59	......	100.00
Lima Loco.	7- 8-22	107½	9- 9-22	126¼	...	......	1,875.00
Sinclair	7- 8-22	33⅜	....	...	33¾	......	37.50
Allis-Chal.	7- 8-22	50⅜	....	...	58	......	762.50
West. Union	7-21-22	105	8-24-22	113⅝	...	......	862.50
Am. Tobacco	7-21-22	143½	9- 9-22	167¼	...	......	2,375.00
N. Y. Cen. 6s	8- 5-22	107	8-30-22	107	...	......	......
N. Y. Cen.	8-30-22	98½	....	...	99¼	......	75.00
Hupp Motors	8-30-22	19	....	...	23	......	400.00
Gen. Am. Tank Car	8-30-22	62⅝	....	...	68	......	537.50
Total losses and profits						$8,975.00	$56,011.20
Deduct losses from profits							8,975.00
							47,036.20
Commissions and taxes							2,669.70
Net profits							$44,366.50

* Based on price received for stocks sold; and on current price of stock held on September 15, 1922.

** The fraction ½ opposite date of sale indicates that only one-half of the original holdings were sold, in conformity with our policy of marking down cost of securities when large profits are available, with consequent increase in investment yield on the stock retained.

This net profit is equivalent to over 85 times the cost of the service during the period under review, and this is over and above the yield of more than 6.5% per annum on the invested capital.

†† The losses under date of June 16, 1922, were accepted in the face of what appeared to be the beginning of a substantial decline, and in order to avoid greater losses which seemed to be imminent. It should be noted, however, that those losses amounting to $3,074.50, are offset by profits amounting to $2,749.50 on the same day, so that the net loss due to the closing out of 17 issues was only $325.

If we eliminate all transactions initiated prior to September 1, 1921 (marked †) the net profit would be:

Profits over losses	$42,316.50
Commissions and taxes	2,451.70
Net profit	$39,864.80

This is equivalent to 78 times the cost of the service for the period, a little more than a year. Is it worth the price?

— — — — — — — — — — — — — — — COUPON — — — — — — — — — — — — — — —

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New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale Dec. 27	Div'd $ per Share
RAILS:										
Atchison	125⅛	90¼	111¼	75	104	76	108½	91¾	101⅞	6
Do. Pfd.	106⅛	96	102⅛	75	89	73	95½	85	91⅞	5
Atlantic Coast Line	148½	102½	126	79⅜	107	77	124⅞	83	111¼	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	60⅛	33⅛	41⅝	..
Do. Pfd.	96	77¼	80	48¼	59½	38⅛	66⅛	52½	57⅞	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	151⅜	119⅛	143½	10
Chesapeake & Ohio	92	51⅛	71	35⅛	70⅜	46	79	54	70¼	4
Ches. & Ohio Pfd.	..	..	..	..	..	..	105⅜	100⅓	102	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	17¼	36⅜	16½	20⅜	..
Do. Pfd.	181	120½	143	62⅛	76	29½	55	29	31½	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	95⅛	59	78½	5
Chicago, R. I. & Pacific	..	..	45⅛	16	41	22⅛	50	30½	31⅞	..
Do. 7% Pfd.	..	..	94¾	44	89¾	64	105	83¼	91½	7
Do. 6% Pfd.	..	..	80	35¼	77	54	93¾	70¼	82⅞	6
Delaware & Hudson	200	147½	159½	87	116	83¼	141½	106⅜	113¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	143	110½	127	6½
Erie	61⅛	33½	59½	18¾	21⅜	9½	18⅜	7	10	..
Do. 1st Pfd.	49⅜	26¼	54¾	15⅛	33	15	28½	11⅛	14	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	23¾	10	20⅛	7⅛	10⅜	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	95⅞	70¼	76⅞	5
Illinois Central	162⅛	102¼	115	85¾	104	80⅞	115¼	97½	112⅛	7
Kansas City Southern	50¼	21⅛	35⅛	13½	28⅞	13	30½	17	19	..
Do. Pfd.	75½	56	65½	40	57	40	59½	52¼	54	4
Lehigh Valley	121¼	62⅛	87⅛	50¾	60¾	39¾	72	56⅜	69⅞	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	144⅞	108	133½	7
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	¾	19¾	7½	14⅝	..
Do. Pfd.	78⅛	46	60	6½	25⅛	2	48¾	24½	39	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	25⅛	15⅛	16	..
Do. Pfd.	..	..	64⅞	37½	58¾	33⅛	63¾	40	43	..
N. Y. Central	147¼	90⅛	114¼	62½	84¼	64⅛	101⅛	72¼	95⅝	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	91½	51⅝	82	5
N. Y., N. H. & Hartford	174⅛	65⅜	89	21½	40⅞	12	35⅜	12⅛	20¼	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	30½	19½	18⅞	2
Norfolk & Western	119¼	84¼	147⅛	92¾	112½	84¼	125⅛	96¼	110½	7
Northern Pacific	159½	101⅛	118⅞	75	99⅞	61¼	90⅛	73⅛	74¾	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	49⅜	33¼	46½	3
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	40⅝	19	37⅛	..
Pitts. & W. Va.		..	40⅜	17¼	44¾	21⅛	94	76	33	..
Reading	89⅝	59	115½	60⅛	108	60¾	87⅛	71⅛	80⅛	4
Do. 1st Pfd.	46⅜	41¼	46	34	61	32⅞	57	42	54	2
Do. 2nd Pfd.	58⅜	42	52	33¾	65½	33¼	59½	45⅞	54	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10⅜	33⅛	20¼	21⅝	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅞	20½	37½	..
Southern Pacific	139⅛	88	110	75¾	118⅛	67½	96⅜	78⅛	89	6
Southern Ry	34	18	36¾	12½	33¼	17⅜	28⅜	17⅛	24¾	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	71	45¾	65¼	5
Texas Pacific	40½	10¼	29½	6½	70½	14	36	18¾	20⅛	..
Union Pacific	219	137¼	164⅜	101¼	138½	110	154¾	125	137	10
Do. Pfd.	118½	79¼	86	69	74¾	61¼	80	71¼	75⅞	4
Wabash	*27⅞	*2	17⅛	7	13⅜	6⅜	14⅜	6	8⅜	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	35½	19⅛	23⅛	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24⅞	12¼	‡16	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	17¼	8¼	10⅜	..
Western Pacific	..	..	25½	11	40	15	24⅞	13¾	14⅛	..
Do. Pfd.	..	..	64	55	78	51½	64⅞	51⅜	53¼	6
Wheeling & Lake Erie	*12⅞	*3⅛	27¾	8	18¼	6¼	16½	6	8½	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	64	22	84	48	68½	4
Allied Chem	..	..			62½	84	91¾	55⅛	77	4
Do. Pfd.	..	..	..	..	103¾	83	115½	101	111	7
Allis Chalmers	10	7⅛	49½	6	53⅞	26½	59¾	37¾	44⅞	6
Do. Pfd.	43	40	92	22½	97	67½	104	56½	‡94¼	7
Am. Agr. Chem	63⅝	23½	106	47¾	113¾	26½	42⅞	27¾	31	..
Do. Pfd.	103	90	103½	89⅛	103	51	72¼	55⅛	58½	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	40¾	..
Am. Bosch Mag	..	..	..	..	143⅞	29⅛	49	31¼	43	..
Am. Can	47¾	6⅞	68½	19¾	68⅛	21¾	76½	32¼	72⅝	5
Do. Pfd.	129¼	98	114½	80	107⅝	72	113⅞	93¼	111⅛	7
Am. Car & Fdy	76½	36½	98	40	151¼	84½	201	141	184	12
Do. Pfd.	124¼	107½	119½	100	119	105¾	126⅛	115½	‡121½	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	30½	14¾	17⅛	..
Do. Pfd.	107½	91	102¼	78	93	35½	61	33½	35¼	..
Amer. Express	300	94¾	140½	77½	175	76	162	126	‡135	8
Am. Hide & L.	10	3	22½	2½	43⅛	5	17⅛	10⅛	‡10¼	..
Do. Pfd.	51⅞	15⅛	94⅜	10	142⅜	25	74¾	58	62⅛	..
Am. Ice	..	..	49	8⅞	83½	37	122	78	106	7
Am. International	..	..	62¾	12	132¼	21½	50⅝	25⅛	26¼	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	42½	28	30	..
Am. Loco.	74¾	19	98¾	46⅝	117½	58	136¾	102	129½	6
Do. Pfd.	122	75	109	93	115	96½	122¼	112	‡119½	7
Am. Safety Razor	..	..	..	..	22	3½	8⅞	3⅝	8⅞	.25
Am. Ship & Com.	..	..	..	..	47½	4¾	25⅛	5½	19⅛	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	67½	43⅝	54¾	..
Do. Pfd.	116¼	98¾	118⅛	97	109⅝	63¾	104½	86⅛	99¼	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	46⅛	30¼	37¾	3
Do. Pfd.	..	..	..	..	96½	78	107	91	103	7
Am. Sugar	136⅛	99⅞	126⅛	89⅛	148⅜	47⅝	85⅞	54⅛	80⅞	..
Do. Pfd.	133½	110	123½	106	119	67½	112	84	107	7
Am. Sumatra Tob.	..	..	145¾	15	120⅛	28½	47	23¼	28¼	..
Do. Pfd.	..	..	103	75	105	64¼	71	52¼	58⅛	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	119½	92⅛	128¼	114½	123	9
Am. Tobacco	*530	200	256	123	314½	104⅛	169½	129⅛	154	12
Do. B.	..	..	..	..	210	100⅛	165¾	126	151½	12
Am. Woolen	40¾	15	60⅞	12	169½	55½	105	78¾	95	7
Do. Pfd.	107¾	74	102	72½	110¾	88½	111¼	102½	‡108	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	57	45	49¼	..
Associated Dry Goods	..	..	28	10	67¼	17¼	68¾	48	65¼	4
do 1st Pfd.	..	..	75	50½	82	49⅞	86	75	83	6
do 2nd Pfd.	..	..	49½	35	80½	38	91½	75⅞	90	7
At. Gulf & W. I.	13	5	147¾	4½	192⅜	18	43¼	21	21	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	31⅛	15⅞	15⅛	..
Baldwin Loco.	60¾	36½	154½	26⅜	156¼	62¼	142¾	92¼	139½	7
Do. Pfd.	107½	100¼	114	90	111⅞	92	118	104	114	7
Bethle. Steel B.	*51⅜	*18¾	155½	59¾	112	41½	82¾	55½	59⅞	5
Do. 7% Pfd.	80	47	186	68	108	87	105	90⅞	‡94	7
Do. 8% Pfd.			110¼	92½	116	90	116⅜	104	‡107½	8
Burns Bros. A	45	41	161½	50	129	76	147	115	147	10
Do. B.	..	..	..	..	33¼	27	.53	28⅜	43⅜	3
Calif. Packing	--	--	50	30	87½	48¼	86½	68	83¼	6

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale Dec. 27	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro.	72½	16	42⅜	8	56⅜	15⅜	71⅜	43½	66	..
Calif. Petro. Pfd	95¼	45	81	29½	88	63	98½	83	‡93	7
Central Leather	51¾	16½	123	25⅞	116½	22½	44⅛	29¾	30¾	..
Do. Pfd.	111	80	117½	94⅜	114	57⅛	82¾	63⅜	67	..
Cerro de Pasco	..	..	55	25	67½	23	46⅜	32¾	43¾	..
Chandler Mot.	..	..	109⅞	56	141¼	38¾	79¼	47¾	66	6
Chile Copper	..	..	39¾	11¼	29¼	7¼	29¼	15½	27	..
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	33⅜	22¼	26½	..
Coca Cola	..	..	..	..	43⅜	18	82¼	41	75½	6
Colum. Gas & E.	..	..	54⅛	14¾	69	39¼	114⅜	64⅜	104½	6
Columbia Graph.	..	..	*166	*97	75¼	2⅜	5⅛	1¼	2	..
Consol. Cigar	..	..	..	..	80	13½	42¼	18⅜	39	..
Consol. Gas	165¼	114½	150½	112½	106⅜	71¾	145¼	85	117¼	8
Corn Prod.	26½	7⅛	50½	7	105¼	48	134¾	91¼	131¼	6
Do. Pfd.	98½	61	113½	58¼	112	96	122½	111	‡120	7
Crucible Steel	19⅛	6½	109⅞	12¼	278½	49	98⅜	52¾	69½	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅛	19¾	8⅛	14	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	28	14½	26	..
Endicott-Johnson	..	..	..	..	150	44	91⅞	76¼	89¾	5
Do. Pfd.	..	..	..	..	108	84	119	104	‡117	7
Famous Players	..	..	..	..	123	40	107	75⅛	91½	8
Do. Pfd.	..	..	..	..	97	66	107⅜	91½	‡96¾	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	27¼	12¼	18⅞	..
Gen'l Asphalt	42⅞	15¼	39⅜	14¾	160	32½	73⅜	37¼	48	..
Gen'l Electric	188½	129¾	187⅛	118	176	109½	190	136	182⅜	8
Gen'l Motors	*51¾	*25	*850	*74½	42	9⅜	15¼	8⅛	14¼	.50
Do. 6% Pfd.	..	..	99½	72¾	95	63	86	69	83½	6
Do. 6% Deb.	..	..	..	..	94⅜	60	86	67¾	83½	6
Do. 7% Deb.	..	..	..	..	94	69	100	79½	97	7
Goodrich	86½	15½	80¼	19⅛	93⅜	26⅛	44⅞	28½	33½	..
Do. Pfd.	109¾	73½	116¼	79⅞	109½	62½	91	79½	83¾	7
Gt. Nor. Ore	86½	25½	50⅜	22½	52¼	24⅞	45⅛	28⅞	30¼	2
Houston Oil	25½	8¼	86	10	116½	40½	91⅜	61¼	70½	..
Hudson Motors	..	..	..	..	..	..	28¾	19½	10⅞	2
Hupp Motors	..	..	11⅛	2½	23¼	4⅛	26½	10⅞	25	1
Inspiration	21⅛	13⅛	74¼	14¼	68⅞	28	45	31	35	..
Inter. Mer. Marine	9	2⅛	50⅞	⅛	67¼	7⅛	27⅛	8¼	9⅛	..
Do. Pfd.	27⅜	12½	125⅜	8	128½	36	87⅜	42⅞	43¼	6
Inter. Nickel	*227¼	*135	57½	24½	33⅜	11⅛	19¾	11¼	13½	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	63⅞	43½	51	..
Invincible Oil	..	..	..	..	47¼	5½	20¼	12⅛	14⅛	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	58¾	34¼	48	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	86½	71½	82½	8
Kennecott	..	..	64¼	25	43	14½	39⅜	25½	36⅛	3
Keystone Tire	..	..	46½	11	126¾	8¼	24⅜	4¼	8½	..
Lackawanna Steel	55½	28	107	26½	107¾	33	85	44	‡75	..
Lima Locomotive	..	..	..	..	..	..	65⅜	52	59⅞	4
Loews, Inc.	..	..	..	..	38⅜	10	23¾	11	19⅜	..
Loft, Inc.	..	..	..	..	28	7¾	14¼	9	11½	1
Mexican Pet.	90½	41¼	129⅜	46½	264	84½	322	106¾	291	16
Miami Copper	30¼	12¾	49⅜	16½	32¼	14⅛	31⅛	25	27⅜	2
Middle States Oil	..	..	..	..	71¾	10	16	11	11⅜	1.20
Midvale Steel	..	..	98½	89½	62¼	22	45½	26⅛	26½	..
Nat'l Lead	91	42½	74⅜	44	94½	63½	129¼	85	125½	8
N. Y. Air Brake	98	45	136	55⅞	145¾	47½	51¼	45⅛	48	4
N. Y. Dock	40¼	8	27	9¼	70⅜	16¼	46	20	22⅞	2½
North American	*87⅞	*60	*81	*36⅞	46	82¼	100¾	44⅛	97⅞	5
Do. Pfd.	..	..	..	..	41½	31⅞	47¼	38	44½	3
Pacific Oil	..	..	..	..	60⅜	27½	69⅜	42½	45¾	3
Pan. Amer. Pet.	..	..	70¾	35	140¼	38½	100⅞	48⅞	93¼	8
Do. B.	..	..	..	..	111¾	34½	95¼	44	86⅞	8
Philadelphia Co.	59¼	37	48⅜	21½	48	26½	45⅜	31½	40⅛	3
Phillips Pet.	..	..	..	..	44½	10	59⅜	28¼	47	2
Pierce Arrow	..	..	65	25	99	9¼	24⅜	8	13	..
Do. Pfd.	..	..	109	88	111	21	49	18⅞	31½	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	72⅜	55	59½	..
Pressed Steel Car	56	18½	88¼	17⅛	113¾	48	95¼	63	83	..
Do. Pfd.	115	88½	109½	69	106	83	106	91	99½	7
Punta Aleg. Sug.	..	..	81	29	120	24¾	53¼	26½	48½	..
Pure Oil	..	..	143⅞	31¾	61⅞	21½	38⅜	26½	27⅛	2
Ry. Steel Spg.	54½	22¼	78½	10	107½	67	126¼	94	116	8
Do. Pfd.	113⅜	90¼	105½	75	112	92½	120	108¼	‡117½	7
Ray Cons. Cop.	27½	7½	37	15	27½	10	19	12⅛	14⅛	..
Replogle Steel	..	..	..	..	93½	18	41	21	22⅞	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	78⅜	43½	46¼	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	75¼	95½	74	86½	..
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	67	47¼	53½	4.12
Shell T. & T.	..	..	..	..	90¼	30⅞	48½	34½	38½	1.55
Sinclair Con. Oil	..	..	67½	25¼	64¼	16½	38¾	18¾	32	2
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	40¼	38⅜	39½	..
Do. Pfd.	..	..	..	..	114½	100⅛	120	113⅜	117¼	7
Stromberg Carb.	..	..	45¼	21	118¼	22½	71	35¼	66⅛	4
Studebaker	49½	15¾	195	20	151	37¾	141⅜	79⅛	140¾	10
Do. Pfd.	98½	64½	119⅛	70	104½	76	118⅛	100	‡114	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12⅜	8⅛	10¼	..
Texas Co.	144	74½	243	112	57¾	29	52¼	42	47⅛	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	32¾	18⅛	20½	1
Tobacco Prod.	145	100	82⅜	25	115	45	67	49¾	55¾	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	20⅛	7½	14⅛	..
United Fruit	208½	128½	173	105	224⅞	95¾	162	119¾	152	10
Un. Retail Stores	..	..	..	..	119¼	45⅛	87½	43½	71⅜	2
U. S. Ind. Alco.	57¼	24	171½	15	167	35⅛	72⅞	37	67⅞	..
U. S. Rubber	59½	27	80½	44	143¾	40½	67¼	46⅛	53½	..
Do. Pfd.	123½	98	115¼	91	119½	74	107	91	97	8
U. S. Smelt. & R.	59	30⅜	81½	20	78⅛	26	45⅜	32¾	37⅛	..
U. S. Steel	94⅞	41⅛	136⅝	38	115½	70¼	111½	82	106⅞	5
Do. Pfd.	131	102½	123	102	117½	104⅛	123	114¼	120⅞	7
Utah Copper	67½	88	130	48½	97½	41⅛	71½	59	64½	2
Vanadium	..	..	..	..	97	25⅛	53¾	30¼	33⅜	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	36⅞	23¾	24¼	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	82	58	62½	..
Western Union	86¾	56	105½	53⅜	94	76	121¼	89	110½	7
Westinghouse Mfg.	45	24¾	74⅞	32	59⅞	38⅞	65⅛	49⅛	60⅛	4
White Motors	..	..	60	30	86	29¼	54	35⅜	48	4
Willys Overland	*75	*50	*325	15	40¾	4⅛	10	4½	6⅜	..
Wilson Co.	..	..	84¾	42	104⅞	27½	50½	27⅜	37	..
Woolworth	177¾	78⅛	151	81½	139¾	100	223	187	217	8

* Old stock. ‡ Bid price given where no sales made.

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ANSWERS TO INQUIRIES ON INDUSTRIAL SECURITIES

(Continued from page 442)

Kerr Lake, Cobalt, but the ore was finally exhausted and operations have not been on a profitable basis in the past several years. The company also holds some 2,000 acres of mining lands under lease in the Larder Lake district, and in September of this year it was reported that a promising ore body had been uncovered on this property. Development has not as yet progressed far enough to warrant a definite opinion as to the value of the strike, but it is understood that officials of the company regard it as an important one and that development work will be actively pushed. This news was undoubtedly the cause of the recent advance in the stock from about 17 to 28 cents. Crown Reserve also controls through ownership of a majority of the outstanding stock, the Porcupine Crown Co., which adjoins Hollinger. This property is believed to have good possibilities. Capitalization consists of 2 million shares of stock of a par value of $1. The last dividend payment was 5 cents, in 1917. Working capital December 31, 1921, was about $60,000. The stock is, of course, highly speculative, but in view of the length of time you have held it, we would not advise disposing of it now that the outlook is somewhat improved.

NATIONAL LEAD

Strong Financial Condition

Please let me have your report on National Lead and opinion of the stock.—F. D. L., Canton, N. Y.

National Lead, by its conservative dividend policy in the past several years, has built up a very strong financial condition. As of December 31, 1921, working capital was nearly $31,000,000. Capitalization consists of $8,000,000 bonds, $24,000,000 7% preferred stock, and $20,000,000 common stock. In spite of the unfavorable conditions prevailing in 1921, the company was able to show 8.6% earned on the common stock, as compared with 14.7% earned in 1920. It is not anticipated that in 1922 an unusually good showing will be made, but earnings will probably be a little in excess of those in 1921. In the past ten years earnings have averaged nearly 9% on the common stock, and as the financial condition of the company has steadily improved, the average earning power should be higher in the future. The company should have little difficulty in maintaining the 8% rate now being paid. The stock has advanced from a low of 85 in January, 1922, t present levels of close to 130, and we feel that this advance has pretty fully discounted the favorable factors in connection with the situation, and if you hold the stock, would advise selling out at these prices.

HIGH-GRADE BONDS

To Yield Between 5 and 6%

Kindly give me a list of five bonds that are high grade and yield between 5% and 6%.—S. K. L., Long Island City, N. Y.

The following five bonds are gilt-edge in our opinion and a desirable investment at the prices mentioned:

	Price	Yield
Armour & Co. R. E. 4½s, due 1939	89	5.35%
International Paper 5s, due 1947	86½	6.00
Phila. Co. 6s, due 1944	100	6.00
Chesapeake & Ohio general mortgage 4½s, due 1992	84½	5.36
Duquesne Light 6s due 1949	103	5.78

AMERICAN TELEPHONE

A Good Specvestment

On your advice I hold 50 shares of American Telephone stock at 120. While this is for investment I am not adverse to selling out if I can get in again lower down. I know you believe the market is going lower but do you think this stock will decline any?—C. M. U., Joliet, Ill.

American Telephone shares we regard as a good business man's investment, and the present dividend rate reasonably secure. We feel, however, that the main trend of the stock market is down, and, that possibly if sold at the present time, the shares could be replaced lower down.

CALIFORNIA PETROLEUM

Capitalization Increased

What would you do with 100 shares of California Petroleum purchased at 65. Do you feel that the increase in the stock to take over another property will possibly delay dividend action on the common?—G. K. R., Trenton, N. J.

California Petroleum recently increased its common and preferred stocks by $2,500,000 par value each, this stock being exchanged for $1,000,000 stock of the Western Star Oil Co. This increase in capital will result in California Petroleum having outstanding $12,709,026 preferred and $17,377,005 common. The Western Star Oil Co. has a production of about 10,000 barrels a day in California, and the management estimates that 1923 production will be in excess of this rate. It is our opinion that taking over this company may result in a further deferment of dividends on California Petroleum common stock, especially in view of the very low prices now prevailing for Coast crude. There is an overproduction of oil on the Coast at the present time and this may keep the price at low levels for a considerable time to come. We do not favor retaining this stock, as we regard general market conditions unfavorable. As a long pull proposition, however, it is not without possibilities.

CONSOLIDATED TEXTILE 8s

In Stronger Position

Please give me your opinion of Consolidated Textile 8% bonds.—J. L. P., North Adams, Mass.

We regard Consolidated Textile 8% bonds favorably. Through the issue of common stock this year, the company's financial condition was improved, and an-

other favorable development was the connection of President Wood of the American Woolen Co. with the company. We understand the company has turned the corner as regards earnings, and the outlook is favorable.

WANTS A 7% RETURN

A Few Suggestions Made

How do you rate General Motor 6% debentures? I want to buy some security that appears reasonably safe that will give me 7% or better on my money. Have you any suggestion to offer.—V. B. S., Galveston, Tex.

General Motor 6% Debenture stock we believe to be a good investment, as there are no bonds ahead, and it is followed by a very large issue of common stock. However, in view of the uncertainties in the automobile industry, we would not rate it higher than a good business man's investment. A security that we believe is somewhat better protected is Cosden & Co. 7% preferred, which can be purchased at 100. There is a very large asset value behind this issue, approximately $1,000 per share. Another good security is Sinclair Consolidated 1st Lien and Collateral 7s, due 1937, which can be purchased around par, to yield 7%.

REAL ESTATE BONDS

Some Issues Speculative

I have some money to invest which represents my life saving and which I do not feel I can afford to take any risk with. Would you consider real estate bonds such as are put out by S. W. Straus & Co. a suitable purchase for me? Can I get 7% in real estate bonds with absolute safety?—K. I. H., Webster City, Ia.

In purchasing real estate bonds you should investigate the merit of each individual issue. Some of the bonds put out by S. W. Straus & Co. to yield about 6%, are very well secured and are conservative investments. As a rule, however, when you get a rate as high as 7% or over, you are assuming a certain amount of risk, and as you say you cannot afford to take any risk, we would not advise you to purchase real estate bonds with a yield higher than 6%. Moreover, it is not a good idea to put all your money into one class of security, and we would suggest that you diversify more and also purchase some good railroad and industrial bonds. We regard the following issues favorably. They are listed on the New York Stock Exchange:

Bond	Price	Yield
St. Louis & San Francisco Prior Lien 4s, due 1950...	70	6.25%
Wilson & Co., 1st Mortgage 6s, due 1941..............	99	6.04
Public Service of N. J. 5s, due 1959	86	5.94
Sinclair Consolidated 1st Lien & Collateral 7s, due 1937..	100	7.00

PAN-AMERICAN PETROLEUM

Not Favored for Investment

Now that Pan American Petroleum is paying 8% in dividends and has declared another 20% stock dividend I am considering purchasing a little for investment as this gives an unusually high return. What do you advise?—A. J. M., Akron, O.

While it is true that Pan-American stocks give a large return on the invest-

(*Please turn to page 472*)

How to Invest $1000 to Bring $65 a Year

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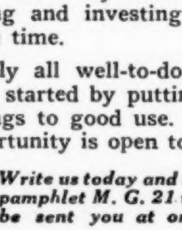

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Current Bond Offerings

ONE of the most interesting developments of the year-end was the sharp increase in the volume of tax-exempt securities. Undoubtedly this is the result of the combined influences of the usual reinvestment demand which appears at this time of the year and the agitation in Washington for a constitutional amendment limiting the issuance of such issues. Obviously the latter influence is calculated to stimulate new issues of tax-exempts though, as a matter of fact, a constitutional amendment would probably take several years before it could be made part of the law of the land. At any rate, the discussion now current is having a stimulating effect on sales of such issues. Outside of non-taxable bonds, there were no outstanding features. There was a paucity of offerings of railroads, industrials and public utilities with no foreign issues.

An important offering was the $8,000,000 6% bond issue of the Carolina, Clinchfield and Ohio Railway Company. The industrial issues were all small, representing comparatively unimportant companies.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
City of Hartford	$1,500,000	4.00–3.80
City of Cleveland	2,000,000	4.40–4.25
City of Rochester	1,000,000	3.95
Richmond, Va.	2,000,000	4.25
State of New Jersey	2,000,000	4.00–4.25
City of Philadelphia	1,500,000	4.00
RAILROAD		
Carolina, Clinchfield & Ohio Ry.	$8,000,000	6.25
PUBLIC UTILITY		
Northern Ohio Traction	$1,000,000	6.50
INDUSTRIAL		
Amer. Bolt Corp.	$1,750,000	7.00
Merritt-Chapman	1,500,000	7.25
Columbia Textile	1,000,000	7.00
Bullard Mach. Tool	1,500,000	6.50
LAND BANK		
Minneapolis Trust Jt. Stk.	$1,500,000	4.62–5.00
First Jt. Stk. of Minneapolis	1,000,000	4.70–5.00
	500,000	4.65–5.00
First Texas Jt. Stk.	1,500,000	4.70–5.00

A Quiet Market

It is worth while commenting on the fact that the unenlivened character of the bond market, as a whole, is having considerable influence on the rate of issue of new bonds, excepting, of course, tax-exempt bonds. It is not likely that this condition will change materially in the near future. The bond market seems generally apathetic and public enthusiasm for such issues seems whetted for the time being, at least. Nevertheless, there are a considerable number of very attractive issues being put out nowadays, quite as secure as those already listed and yielding considerably higher returns. For investors in a position to add to their investment holdings, diversification of new and sound bond issues should prove satisfactory.

NEW TRAPS FOR INVESTORS

(Continued from page 447)

summation of the merger a certificate will be issued to him for 100 shares of stock in the merger corporation.

Good Money After Bad

John Smith as a rule is overjoyed and does not hesitate to send his $25. In return he shortly receives a certificate for 100 shares in the new company. That is the last of John Smith's $25. He has been cleverly induced to throw good money after bad.

In many cases it has been found that where this scheme is being worked the stock is being offered at the same time to approved "suckers" at the same price of 25 cents a share. But John Smith not only pays the full price exacted of those who "invest" in the new company, but he has voluntarily surrendered his old certificate and his former interest in the High-Low Oil Company, and deprived himself of any claim he might eventually be able to enforce against the promoters of the High-Low. Nor is he in position to make any charge of fraud in connection with the High-Low Oil Company promoters.

One oil company already has "merged" a score of other companies and is daily gathering mail sacks full of proof that not only is one born every minute but that frequently he is twins.

It has been said that the American people love to be humbugged. Possibly this is why it is so easy for tricksters to entrap them. Not so many years ago it was discovered that a Brooklyn physician who had "discovered" the North Pole had not been within several hundred miles of that spot. Before this was learned, however, he had been decorated by kings and honored by his fellow citizens.

Today this King of Buncombe is at the head of an outfit busily working the new merger scheme for trapping the untrained and thoughtless.

A little over a year ago it was announced that the head of a well-known financial organization, generally rated as an illegitimate one, had flown by airplane from Southern Texas to New York in order to place his young son in school on the opening day. It was later asserted that this (then) record-breaking air trip had been accomplished by taking a short air flight out of the southern city, taking up the journey thence by train to within a few miles of New York, at which point an-

other airplane was entered. The promoter's press agent did the rest.

This promoter, who was later indicted on charges of misusing the mails, is associated in this merger scheme with the ex-polar explorer. In neither case is there any camouflaging of the names. Dangle a will-o-the-wisp profit in front of the average victim of a get-rich-quick scheme and he loses all sense of precaution.

So much for the merger trap.

Dividends That Come Back

Another scheme that is being tried out with considerable success is the dividend check. Here is how the victim is caught: John Jones purchased 100 shares of stock in an oil company. He heard nothing from his purchase for several years. Several months ago he received in the mails a dividend check for 25 cents a share. In the particular instance we have in mind, the check was drawn on "any bank in Fort Worth, Texas." The check was dated about thirty days ahead and the letter accompanying it stated that the directors had declared this as a quarterly dividend payable as of the date on the check and that the checks were being mailed out in advance in order that they might reach the stockholders in plenty of time. To the man who is not accustomed to receiving dividends—and buyers of this class of stock are not accustomed to dividends—it all seemed very regular.

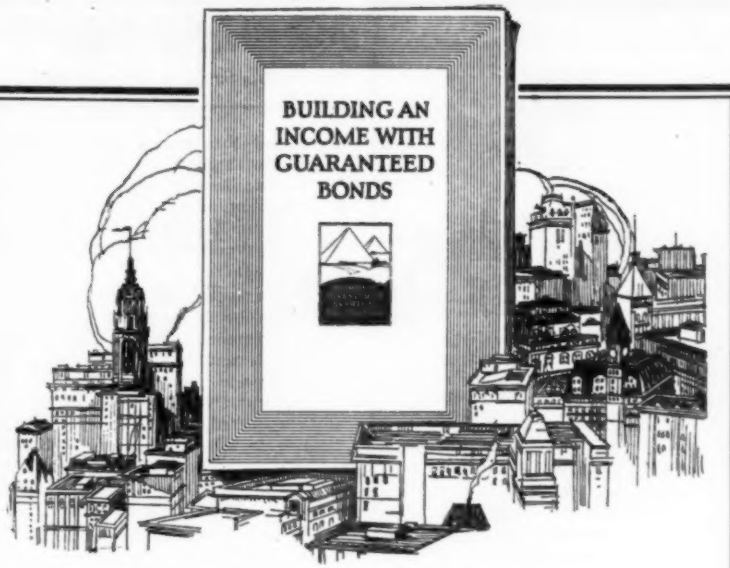
A week or so before the date of the check a dapper individual called on Mr. Jones. He represented the company, he said, and being in Mr. Jones's city was calling on all the stockholders to make sure that the dividend checks had not miscarried. Naturally Mr. Jones wanted to talk about the company and its affairs and get some first-hand knowledge. When the dapper young man left an hour later he carried with him all the money that Mr. Jones could lay his hands on. A company that was paying dividends at the rate of 100 per cent. a year, he reasoned, and whose original stockholders were still permitted to buy stock at par, was a much better investment than a savings bank account or a Liberty Bond.

Mr. Jones deposited his dividend check with his bank or had it cashed by a tradesman. He probably found also that the representative of the company had succeeded in the meanwhile in selling stock to many of his friends and neighbors.

Therefore, Mr. Jones was inexpressively shocked and grieved ten days later when the bank informed him that the dividend check had been returned by the Texas bank marked "no funds."

Mr. Jones promises himself that he will not easily fall a victim to similar schemes in the future. Probably he will not. The chances are that by the time he has another nest egg together the schemers will have a new plan and will catch him just as thoroughly off his guard as the last successful assault on his savings.

This is the fourth of a series of articles on new traps for investors. The fifth will appear in an early number.



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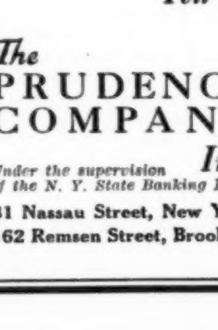

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FOREIGN TRADE AND SECURITIES

(*Continued from page* 403)

debt, and the consequent reduction of taxes now imposed on Americans. The U. S. would, it is true, be responsible for payment of the interest and principal, but due to the low rate of interest, foreign governments should meet these obligations.

"The interest rate suggested is made purposely low in order to give the Foreign Governments every benefit possible aside from cancellation of the loan. There are at present over 673-million of U. S. Government 2% bonds outstanding which are now quoted at par or over. This indicates a market for low interest bonds attractively issued and there is no doubt but that these International bonds would ultimately be absorbed by the public.

"The refunding of these debts," concludes Mr. Janin, "in addition to being of benefit to the U. S., would cause a feeling of stability in this country as to the financial dependence of Foreign countries, and would help those countries in financing direct loans in the United States in the future."

Besides the solutions presented, in brief, above, a number of others, equally impressive, have been received. We hope to be able to present them in a later issue.

MONTANA POWER CO.

(*Continued from page* 430)

that in 1922 the company will have earned slightly better than $4 a share on the common stock, of which there is approximately 50 million dollars par value outstanding. Dividend requirements call for a yearly payment of $3 a share on the junior issue, so that for the present this seems to be all that can be expected in the way of dividends. This compares with $2 a share earned on the common in 1921, and $5.27 in 1920.

The falling off in earnings during the two middle quarters of 1921 can be attributed to seasonal decline, as in the warm weather power demand for domestic consumption and lighting is less. It is a good sign that there was no falling off in earnings last year in the warm months, as increasing business from other sources was able to offset the smaller demand for lighting and domestic purposes.

Looking ahead into 1923 it is quite probable that a good increase in earnings may be looked for, as the mining companies seem to have passed over the slump caused by large stocks of surplus metal carried over from the war period. Aside from this, agricultural conditions are improving, and this will help earnings, as Montana Power Co. operates practically all over the state.

The management announced when the rate on the common stock was cut from $5 annually to the present $3 in 1919 that as soon as earnings warranted, the old rate would be restored. It is quite possible that company may be able to earn between $6 and $7 a share on the common this year, which would make it practically possible to restore the old $5 dividend. However, this possibility seems to be at least six months ahead and is not a great market factor in the price of the shares now.

Conclusion

The outstanding feature of Montana Power Co. is its low operating cost. In the future the results and benefit of this will be seen, but it will only be when the development of the state brings in a larger demand. Looking ahead, with its low operating cost and cheap and abundant water powers, the company seems to have a good future, but the investor in the junior shares seems to be in for a period of waiting and small yield on the investment at prevailing market prices.

For the future, it is logical to expect that both Great Northern and Northern Pacific Railroad will electrify their lines which parallel the lines of Chicago, Milwaukee & St. Paul, already electrified. The railway contract now calls for a minimum of 20,000 kilowatts, or nearly one-tenth of present output. Additional electrification which is likely to come in the future would mean a marked upward movement in earnings.

The question is asked as to why the common stock shows so small a yield at its market selling price. The reason for this may be found in the fact that a large part of the common is held by interests affiliated with Anaconda Copper. Other blocks of stock are held by large interests who have faith in the future of the company and can afford to wait. **But to the investor who is looking for a public utility common stock with a fair yield, the common stock of Montana Power Co. does not seem desirable at these prices. A much better yield is offered by the preferred stock, which pays $7 annually and sells around 108 at present.**

INVESTORS' VIGILANCE COMMITTEE, INC.

(*Continued from page* 446)

taken him years to accumulate; perhaps he has been foolish enough to place a small mortgage on his little home so as to make the investment returns, "which were sure coming to him, many fold," larger. The holder of the mortgage forecloses, the little roof is taken away from over the heads of the little family and then—our Mr. Good Citizen, our worker, who looked to Mr. Respected Citizen for guidance, now looks to him as the man who has been instrumental in taking his all.

To a certain measure we feel that the small investor is right in entertaining such feelings toward the man "who doesn't think" or perhaps he is so avaricious that he doesn't care about the "other fellow." It is a certainty, however, that if Mr. Respected Citizen loans

his name to many of these "shady propositions," he will soon lose the title that has taken him perhaps his life-time to acquire.

The season of new resolutions is with us, if you fit into the R. C. class "look before you leap." By so doing, some other fellow's Christmas might be made brighter next year.

WHEN WILL FERTILIZER COMPANIES AGAIN SEE THE LIGHT OF DAY?

(*Continued from page* 417)

position of the preferred and common shares does not appear to be especially attractive, especially the position of the junior stock, of which there is now outstanding 280,000 no par value voting shares and 70,000 no par non-voting shares.

INTERNATIONAL AGRICULTURAL CORPORATION

Preferred Stock a Fair Speculation

THE past record of the International Agricultural Corporation has not been as outstanding as the record of either American Agricultural or Virginia Carolina. The company has not been able to pay any dividends upon the common stock and the earnings record during the last ten fiscal years has been most irregular. In the five years, 1916 to 1920, inclusive, a total of approximately $62 a share was earned on the common stock, but in the other five years of the decade there was no surplus at all for the common. In the two years ended June 30, 1922, a total deficit of 3 million dollars was registered, but there was considerable improvement in the year ended June 30, 1922, which showed a net operating profit of 1.4 millions, but a deficit after all deductions of $388,000.

As of June 30, 1922, the financial position was fair, but as with the other fertilizer concerns, it is likely that some subsequent progress has been made toward the collection of past due agricultural accounts. International Agricultural has a first mortgage, 5% bond issue of 8.6 millions, which is due in 1932, and these bonds ought to be accorded at least a fair if not a good rating.

The preferred stock has accumulated dividends of 55%, which amounts to about 7 millions. The stock around 30 is a fair speculation, but the common has few present attractions, even from a speculative standpoint.

CORRECTION

In the December 9th issue of THE MAGAZINE OF WALL STREET, an article on the Pennsylvania-Ohio Power & Light Company appeared, stating that this is largely a traction property. This was not correct, as we find that the percentage of gross earnings from operation of street and interurban railways is less than 50% of the total.

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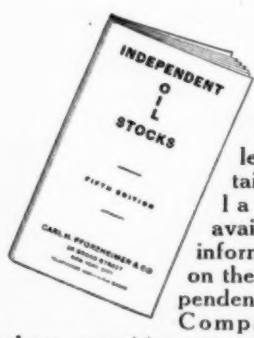

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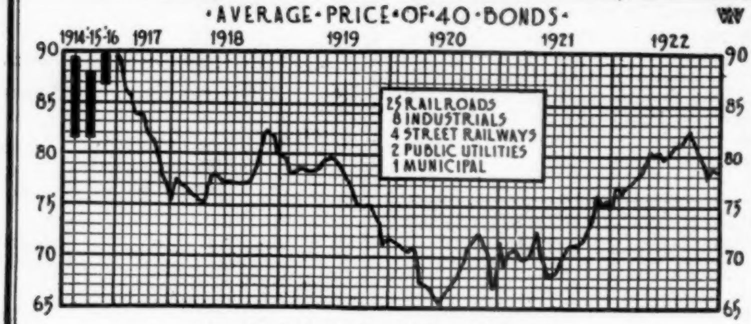
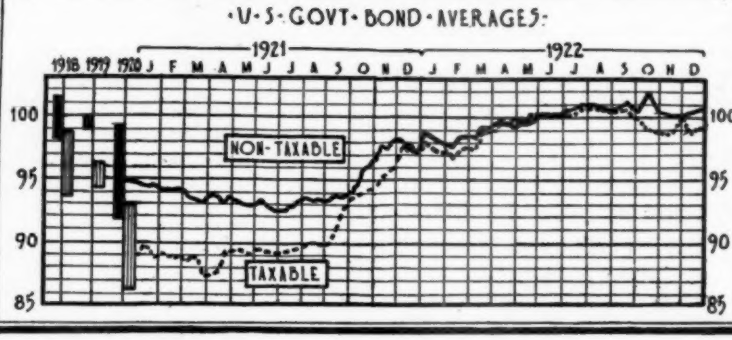
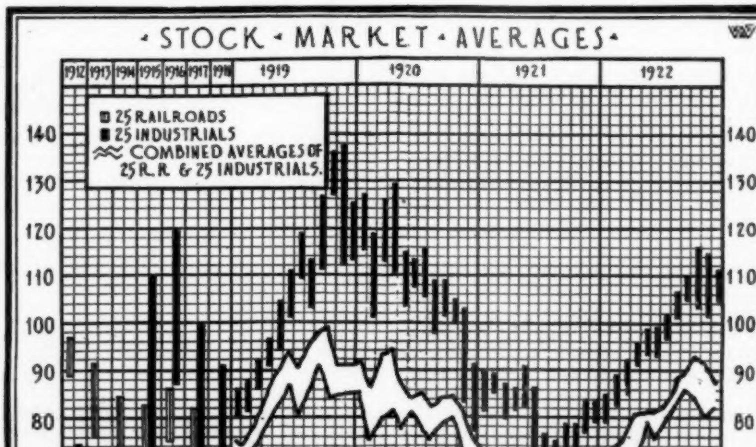




MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, Dec. 18	78.66	97.64	83.75	85.83	84.22	1,162,040
Tuesday, Dec. 19	78.56	98.23	83.98	85.49	83.72	792,808
Wednesday, Dec. 20	78.64	97.52	84.31	85.69	84.52	828,470
Thursday, Dec. 21	78.62	97.88	85.25	85.72	84.44	968,345
Friday, Dec. 22	78.63	98.62	85.87	86.45	85.38	862,766
Saturday, Dec. 23			EXCHANGE CLOSED			
Monday, Dec. 25			EXCHANGE CLOSED			
Tuesday, Dec. 26	78.57	99.04	85.98	86.80	85.81	905,779
Wednesday, Dec. 27	78.57	99.22	85.55	86.58	85.41	1,069,830
Thursday, Dec. 28	78.53	98.14	84.86	86.20	84.90	1,238,681
Friday, Dec. 29	78.65	98.17	85.79	86.28	85.01	930,690



SOUTHERN CALIFORNIA EDISON CO.

(*Continued from page* 431)

pany is one of the cheapest producers of electric energy and should have a good future. It is practically certain that a market will easily be found for the development which it is now undertaking. Even eliminating local territory, experiments under way indicate that power will soon be transferred long distances more economically. The cheapness of the power generated in the Pacific Coast mountains is especially attractive.

Conclusion

For the time being there is little likelihood of any change in the dividend rate on the common stock. The present rate on the junior shares is 8% annually, with earnings running at about $10 a share. At the current price of 105 a yield of 7.5% is shown. The common stock is listed on the Los Angeles Stock Exchange and there is a ready market in New York, where it is extensively traded in "over-the-counter." Margin between earnings and dividends is not as large as it might be at the present time, but should be expanded during the coming year. At the current price the stock represents a substantial speculative investment of the better sort.

RURAL CREDIT BILLS STILL UNDER DISCUSSION

(*Continued from page* 437)

lection system, is inclined to defer action for the moment. The feeling has developed in some quarters that President Harding, when he makes the new appointments to the Federal Reserve Board, will select men who are pledged to smooth out the par collection controversy in a way that will be as satisfactory as possible all around. Should this prove to be the case, bankers state that they would prefer to see matters remedied in that way rather than to engage in a hand-to-hand struggle for the purpose of securing a rectification of what they consider unfair conditions at the present time. In the event that nothing comes of this endeavor, the intent is to continue pressure looking to the enactment of the McFadden bill, which permits banks to charge exchange.

Reserve Board Nominations

A good deal thus centers upon the nominations that are to be made to all the vacancies on the Reserve Board. The new appointees will have much influence in certain circumstances in shaping the direction to be taken by farm credits legislation as well as in composing the par collections controversy. The Reserve System itself is greatly in need of action designed to fill the vacant chairs, inasmuch as many of its activities have been necessarily partly suspended for some time past, owing to the lack of a complete membership.

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THE MAGAZINE OF WALL STREET

READERS' ROUND TABLE

(*Continued from page* 429)

from his evident failure to recognize that, in effect (which is all the voters of this country need consider or wish to consider) to operate a huge merchant marine such as ours at a loss of more than 50 millions a year is, in itself, a ship subsidy of vast proportions. To oppose altering this situation by means of subsidy legislation which would not only provide material partnership for our merchant marine but would also provide legislative enactments of a sort calculated to improve the earning power of American vessels, is to take the stand that it is far preferable to lose tax-money by the millions, and eventually by the billions, than it is to see a situation in its true facts and admit those facts to be true. He would rather have the Government go on losing money by what amounts to a subsidy than secure possible relief in the form of an actual subsidy.

The inconsistency in Senator Ladd's discussion is to be noted after reading a little further on into it. He definitely suggests that "Government ownership may be the only solution of the (shipping) problem," and all his recommendations point to Government ownership as the solution. The very same view is taken toward the railroad problem, which he says "should be faced boldly and our railway policy shaped towards Government ownership." Such views, certainly, could only be held and such recommendations could only be made by a man who believes that the Government, as now constituted (irrespective of personnel), is worthy of trust and confidence as an industrial operative. And yet, almost in the same breath, we hear him explaining his position in the Muscle Shoals controversy wherein he favored turning over the Shoals to private rather than Government enterprise, as being due to his belief that "both the old parties were too rotten" to be entrusted with a Government job. In other words, Senator Ladd thinks the Government is plenty good enough to operate our 3-billion dollar marine investment, but not good enough to operate Muscle Shoals.

Of course, the Senator may defend himself in this respect by pointing to his later statement that "we must have *good* Government before we have much Government ownership." But if that is honestly his view, why cannot he consistently live up to it by urging the withdrawal of the present Government from the shipping business by the only practical means that offers, i.e., some form of legislation that will encourage private capital to take the burden off the Government's shoulders? If the Government is as bad as he calls it, the sooner it gets out of the shipping business the better.

Later remarks of Senator Ladd are equally contradictory and incomprehensible, at least to the independent critic. He openly defends legislation which has "necessarily" fixed things so that "the railways cannot consistently be operated at a profit;" and yet he endorses saddling this additional burden of profitless enterprise upon the national treasury—and the tax bills of the people whose rights he champions so ardently. Having condemned Government aid in all matters of invested capital, he yet demands Government aid to the agricultural section on the grounds that "it is not class legislation—it is everybody's business." He calls for the taxation of corporate surpluses as though such surpluses were, in all respects, evil things, whereas the slightest knowledge of business is sufficient to show that a large surplus, to act as a backlog against recurrent depression, is one of the most desirable possessions of the modern corporation. He intimates that such surpluses have been "distributed" through stock dividends, whereas all stock dividends have done is to *capitalize* these surpluses.

The writer does not take the stand that the present administration is the best this country has ever had, nor that a more progressive note in Congress would be disastrous; nor that changes are undesirable simply because they are changes; nor that Senator Ladd should be opposed solely because he is not a champion of one of the two parties heretofore recognized as our only important political groups. All the writer seeks, in the remarks made, is to pierce through the glamor and romance and dramatics of the so-called "radical platform" and clarify some of the startling contradictions and inconsistencies therein.—R. R.

FEDERAL MINING AND SMELTING CO.

(*Continued from page* 435)

pany must have earned considerably more in the second half of the year. If 1 million dollars is assumed as total earnings for 1922 and from this amount $150,000 is deducted for depreciation and depletion, which is the average amount for the past five years, the company should have had earnings of about $850,000. This would amount to about $7 a share against the current dividend rate of $5 a share. In any case, it is apparent that the company will be able to earn an amount sufficient to take care of the present rate of dividends on the preferred stock for some time to come. The present dividend seems secure, practically speaking, for another year.

As of Dec. 31, 1921, the company was well supplied with cash and liquid assets which amounted to nearly 2 millions against current liabilities of less than $200,000. Since that period the company has improved its financial position on account of the increase in earnings.

Capitalization

The company has no funded debt, capitalization consisting of 12 millions in cumulative 7% preferred stock and 6 millions common stock, both classes being of $100 par value. Dividends on the preferred stock, as above stated, have been paid regularly but in varying amounts since 1903. As of December 31, 1922, about 20% in accumulated dividends on this issue remained to be paid. Inasmuch as the company is

only earning a fair margin above current dividends of $5 per share and it is not even paying the full $7 rate, it will be seen that chances for the payment of accrued dividend do not appear particularly bright. The stock should then be considered a $5 payer with possibilities of paying up to $7 a share this year, if conditions improve. The accrued dividends do not appear to be of practical importance, so far as can be seen at the present time.

This preferred issue cannot be entitled to any more than a speculative rating of the better sort in view of the erratic earnings of the company and the inherently speculative character of its undertakings. Earnings depend practically on the price of lead and zinc and fluctuations in the prices of these metals have always had and will continue to have a profound effect on the earning power of the company. To estimate probable earnings for this company is tantamount to estimating what the price of lead and zinc is likely to be. As stated above, it appears from an analysis of present general conditions that the prices of these metals should be stabilized around present profitable levels for some time to come but this is no guarantee of a permanently profitable basis of operation.

For that reason, therefore, this issue should be considered speculative, though for those speculatively minded it is not without attractions. At present prices of around 45, this stock yields about 11%. The common stock, of course, is entirely without investment merit except possibly as a very long-distance proposition and to those who wish to embark on such enterprises many more attractive securities could be recommended.

FIVE BONDS FOR INCOME BUILDERS

(*Continued from page* 427)

security. The United States Government is only offering to pay 4% interest on its Treasury Savings Certificates. The savings banks, in most cases, will not pay more than 4%. One local building and loan association of which we know has some very attractive "Income Shares," as it calls them, which can be purchased to yield 5%, but are most unlikely to yield more than 5%. In fact, it is only when the investor gets into the mortgage bond field that he finds an opportunity to obtain much better than 4% to 5% on his money; and even these bonds do not offer an assured better-than-5% over the long period that our group covers.

DELAWARE AND HUDSON R. R.

(*Continued from page* 409)

established rate, even though it involved a rather heavy drain on the company's resources.

The loss in coal production due to the five months' holiday can only be made up by a long period of maximum production. Reserve supplies of coal have been entirely wiped out, and a very heavy movement of this product will be necessary to replenish them. This should make 1923 an unusually profitable year for the anthracite carriers, resting on the assumption that there will not be any further strikes in the industry. Should there be another one, however, the result would be most disastrous to this company and others similarly situated.

At its price of 116 on December 21, Delaware & Hudson is selling on a 7¾ basis. It has reacted from a high of 141½ reached in September. Although this decline was in a measure part of the general downward movement of railroad stocks which characterized the period, it was accelerated by the substantial deficit with which the company is confronted.

Fundamentally, and as far as the future is concerned, the Delaware & Hudson is in as sound a position as it ever was. In the absence of labor troubles the production of anthracite is extraordinarily stable. Because of the strategic position which the Delaware & Hudson occupies, it will always continue to obtain a large volume of traffic destined for or originating in New England. The value of its immense holdings of unmined coal add greatly to the equity behind its stock. These factors, in combination with the enviable dividend record which Delaware & Hudson possesses, give its stock a high intrinsic value. **Nevertheless, the great uncertainties surrounding the coal industry and the very large deficit which the company has had to bear last year, continue to give this one-time investment issue a speculative character, and purchase of the stock, therefore, is not advised at this time.**

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IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	3	— 8
Pfd.	30	— 50
American Piano	80	— ..
Pfd.	95	— ..
American Type Founders	62	— 66
Atlas Portland Cement	58	— 61
Babcock & Wilcox	139	—142
Borden Co.	111	—113
Bucyrus, pfd.	100	—105
Celluloid Co.	100	—105
Childs Co.	119	—122
Congoleum Co., 1st pfd.	92	— 95
Congoleum, com.	80	— ..
Crocker Wheeler	50	— 60
Pfd.	90	— 97
Jos. Dixon Crucible	*137	—142
Gillette Safety Razor	*251	—256
Ingersoll Rand	102	—105
New Jersey Zinc	173	—175
Niles-Bement-Pond	48	— 50
Phelps-Dodge Corp'n.	160	—166
Royal Baking Powder	122	— ..
Savannah Sugar	37	— 42
Pfd.	90	— 93
Singer Mfg. Co.	110	—113
Thompson Starrett	75	— 85
Victor Talking Mach. (New)	162	—165
Ward Baking Co.	153	—158
Yale & Towne	57	— 60
Lawyers Mtg.	157	—162

*Listed on N. Y. Curb Exchange.

THE over-the-counter market during the fortnight was active and firm. Features of the market in point of strength were Thompson Starrett and New Jersey Zinc. Strength in the latter was in recognition of the increased dividend disbursement frequently forecasted in these columns.

The directors of the corporation have just announced the declaration of its regular quarterly dividend of 2%, payable February 10, 1923, to stock of record January 31, 1923. In addition, an extra dividend of 2% was declared, payable January 10, 1923, to stock of record December 30, 1922.

The extra disbursement brings the total dividend return on New Jersey Zinc for the year 1922 up to 10%. If the annual payments continue at a 10% rate (and the corporation's history indicates the likelihood of this) the stock at present prices would offer an income yield of 5.75%. A better yield could no doubt be obtained elsewhere, but not without sacrificing much of the security which New Jersey Zinc appears to offer.

Thompson Starrett, which had moved up 10 points, in the previous fortnight, scored another 10-point advance in the period just ended, reaching $75 a share. This is a small company, financially speaking, as will be seen from the following comparative balance sheets:

ASSETS
(In Thousands)

	1920	1921
Real estate	$22	$190
Plant and equipment	228	236
Cash	335	1,342
Accounts receivable	2,313	3,634
Investments	1,310	438
Total	$4,208	$5,840
Capital stock	$1,575	$1,575
Current liabilities	2,013	3,378
Mortgage payable	....	50
Undivided profits	620	837
Total	$4,208	$5,840

The corporation's financial stature, however, scarcely reflects the business it does, which is largely a commission business and does not presuppose a heavy investment in plant or materials. As a matter of fact, Thompson Starrett is one of the largest construction engineering concerns in this country, has branch offices in four large cities, and does a gross business of around $40,000,000.

With the stock comparatively closely held, and the corporation opposed to issuing income accounts, there are two drawbacks to following up the recent advance for the purpose of buying into Thompson Starrett. Many other companies, equally well known and whose progress and financial position are publicly revealed, offer what appear to be equally good opportunities.

THE ROOT OF NATIONAL DISTRESS

(Continued from page 399)

great corporation. Perhaps the government should take over the weaker lines and operate them for service only, if private ownership cannot make them pay. Railroad transportation is as common as the water we drink. It enters into everything we eat or wear or handle, either for necessity or for pleasure. We ought to get the speculation out of the railroads and eliminate the portion of transportation charges that represents nothing but manipulation. Whatever squeezing process is necessary in order to get rid of the choking water ought to be administered.

We are the willing victims of our major national distresses because we have not yet learned that new times call for new measures. We have too long lived under the shadow of the abstract economics of the 18th century. We have new twentieth century facts to deal with, and we need to apply twentieth century economic science to them. We must learn that by taking thought we can master most of our economic ills just as our physical scientists have mastered most of the diseases of the personal body. It is really as out of date for us to let ourselves be robbed and ruined in the mass as it is to drink contaminated water and hope to escape typhoid fever.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Pay-able
$4	Air Reduction Co..	$1.00	Q	12-30	1-15
6%	All-Amer Cables ...	1½%	Q	12-30	1-15
—	All-Amer C (stk)...	20%	—	12-22	12-30
8%	Alliance Rlty Co...	2%	Q	12-28	1-16
$4	Amer BS&F n com	$1.00	Q	12-22	12-30
7%	Amer BS&F n pfd.	1¾%	Q	12-22	12-30
6%	Amer Gas	1½%	Q	12-20	1- 2
—	Amer G & El (stk).	25%	—	12-15	12-30
6%	Amer G & El pfd..	1½%	Q	1-16	2- 1
10%	Amer G & El com..	2½%	Q	12-15	12-30
10%	Amer LaF F Eng c	2½%	Q	2- 1	2-15
7%	Amer LaF F Eng pf	1¾%	Q	12-26	1- 2
—	Amer Radiator (stk)	50%	—	12-15	12-30
8%	Amer Shipbldg com	2%	Q	1-15	2- 1
7%	Amer Shipbldg pfd.	1¾%	Q	1-15	2- 1
9%	Amer Tel & Tel...	2¼%	Q	3-16	4-16
7%	Atlantic C L com..	3½%	SA	12-15	1-10
7%	Austin Nichols pfd	1¾%	Q	1-15	2- 1
8%	Bayuk B 1st pfd...	2%	Q	12-30	1-15
8%	Bayuk B 2nd pfd..	2%	Q	12-30	1-15
$2.20	Bliss E W Co com	55c	Q	12-21	1- 2
$4	Bliss E W Co 1st pf	$1.00	Q	12-21	1- 2
60c	Bliss E W Co 2d pf	15c	Q	12-21	1- 2
$2	British-Amer Oil...	50c	Q	12-23	1- 2
—	British-Amer Oil...	50c	Ext	12-23	1- 2
8%	Bklyn B Gas com..	2%	Q	12-30	1-10
8%	Bklyn B Gas pfd..	2%	Q	12-27	1- 2
7%	Brit Emp S 1st pfd	1¾%	Q	1-13	2- 1
$2	Butte & Sup Min..	50c	Q	12-15	12-30
—	CCC & St L com..	1%	—	12-29	1-29
5%	CCC & St L pfd..	1¼%	Q	12-29	1-20
$7	Calif Pet pfd......	$1.75	Q	12-20	1- 2
$6	Chandler M Car...	$1.50	Q	12-19	1- 2
9%	City Invest com...	2¼%	Q	12-29	1- 2
7%	City Invest pfd...	1¾%	Q	12-29	1- 2
$6	Corn P Ref com...	$1.50	Q	1- 2	1-20
—	Corn P Ref com...	$3.00	Ext	1- 2	1-20
7%	Corn P Ref pfd...	1¾%	Q	1- 2	1-15
$4	Cosden & Co com..	$1.00	Q	1- 3	2- 1
4%	Cramp Shipbldg...	1%	Q	12-15	12-30
7%	Cuba Co pfd......	3½%	Q	12-31	2- 1
8%	Detroit Edison Co..	2%	Q	12-20	1-15
$2	Edmunds & J com.	50c	Q	12-20	1- 2
7%	Edmunds & J pfd.	1¾%	Q	12-20	1- 2
$3	Fairbanks M com..	75c	Q	12-29	12-30
$3	Fairbanks M com..	75c	Ext	12-20	12-30
—	Fed S Ref c (stk)	60%	Ext	11-23	....
8%	Fisher B Ohio pfd.	2%	Q	12-21	1- 1
7%	Gimbel Bros pfd...	1¾%	Q	1-15	2- 1
10%	Great Northern Ry	2½%	SA	12-29	1- 2
$2	Hudson Motor Car.	50c	Q	12-22	1- 2
—	Hudson Motor Car	25c	Ext	12-22	1- 2
—	Humble O&R (stk)	75%	Q	12-18	....
8%	Humble O&R old.	2%	Q	12-20	1- 1
7%	Hupp Motor pfd...	1¾%	Q	12-20	1- 1
$8	Indiana Pipe Line..	$2.00	Q	12-15	2-15
—	Indiana Pipe Line..	$20.00	Ext	12- 1	12-30
$4	Jones B Tea Co c.	$1.00	Q	12-29	1-15
7%	Jones B Tea pfd...	1¾%	Q	12-15	12-30
$3	Kennecott Cop....	75c	Q	12-22	1-15
$1	Loft Inc..........	25c	Q	12-20	12-30
7%	Louisville & Nash.	3½%	SA	1-15	2-10
10%	McAndrews & F c.	2½%	Q	12-31	1-15
8%	McAndrews & F c.	2%	Ext	12-31	1-15
6%	McAndrews & F pf	1½%	Q	12-31	1-15
$4	Mack Truck com..	$1.00	Q	12-18	12-28
$7	Mack T 1st & 2d pf	$1.75	Q	12-20	1- 2
7%	Macy R H pfd....	1¾%	Q	1-13	2- 1
—	Magnolia Pet (stk).	50%	—	12-14	....
$4	Man El Supply....	$1.00	Q	12-20	1- 2
$6	Market St Rwy pfd.	$1.50	Q	12-11	1- 2
$16	Mexican Pet com..	$4.00	Q	12-29	1-20
$8	Mexican Pet pfd...	$2.00	Q	12-29	1-20
8%	Michigan Central..	4%	SA	12-29	1-29
—	Michigan Central..	6%	Ext	12-29	1-29
$1.50	Moon M Car com..	37½c	Q	1-15	2- 1
—	Moon M Car com..	12½c	Ext	1-15	2- 1
$7	Moon M Car pfd..	$1.75	Q	1-15	2- 1
5%	N Y Central......	1¼%	Q	12-29	2- 1
—	N Y State Rys pfd	10%	Accum	12-22	1- 2
5%	N Y State Rys pfd.	1¼%	Q	12-22	1- 2
—	N Y Telephone pfd.	$1.62½	Q	12-20	1-15
$8	Otis Elevator com.	$2.00	Q	12-30	1-15
$6	Otis Elevator pfd.	$1.50	Q	12-30	1-15
$8	Pan-Amer P com A	$2.00	Q	12-30	1-20
$8	Pan-Amer P com B	$2.00	Q	12-30	1-20
—	Pan-A P c A (stk).	20%	—	12-29	2- 8
—	Pan-A P c B (stk).	20%	—	12-39	2- 8
$6	People's G Lt & C.	$1.50	Q	1- 3	1-17
$1.50	Pond Creek Coal..	37½c	Q	12-30	1- 1
$8	Prairie Oil & Gas..	$2.00	Q	12-30	1-31
$8	Prairie Pipe Line..	$2.00	Q	12-27	1-31
—	Prairie P L (stk)..	200%	—	12-27	....
$8	Spicer Manfg pfd..	$2.00	Q	12-31	1- 1
7%	Steel Co of Can com	1¾%	Q	1- 3	2- 1
7%	Steel Co of Can pfd	1¾%	Q	1- 3	2- 1
$1	Trumbull Steel com	25c	Q	12-20	1- 1
$7	Trumbull Steel pfd	$1.75	Q	12-20	1- 1
$6	Union Bag & P...	$1.50	Q	1-12	1-15
—	Union Tk Car (stk)	50%	—	12-22	12-28
—	United Verde E...	50c	—	1- 2	2- 1
7%	U S Indus Al pfd.	1¾%	Q	12-31	1-15
7%	Weber & Heil pfd..	1¾%	Q	2-23	3- 1
$1	Weber & Heil com	50c	SA	12-26	12-30
$6	Western Pac R R..	$1.50	Q	12-18	1- 2
$7	Westinghouse A B.	$1.75	Q	12-30	1-31
—	W'house A B (stk).	35%	—	....	....
7%	Wilson & Co pfd..	1¾%	Q	12-23	1- 2

Whatever else may fail

Linking city, village and farm, crossing mountain and wilderness, the telephone system challenges Nature in her strongholds and battles her fiercest moods.

Out on his lonely "beat" the telephone trouble-hunter braves the blizzard on snow-shoes, body bent against the wind, but eyes intent upon the wires.

North, south, east, west—in winter and summer, in forest and desert—the telephone workers guard the highways of communication. Traveling afoot where there are no roads, crawling sometimes on hands and knees, riding on burros, or motorcycles, or trucks, they "get there" as they can.

When Nature rages to that point where few things can stand against her, when property is destroyed and towns cut off, the telephone is needed more than ever. No cost is too much, no sacrifice too great, to keep the wires open. If telephone poles come down with the storm, no matter how distant they may be, no matter how difficult to reach, somehow a way is found, somehow—in blizzard, hurricane, or flood—the service is restored.

Whatever else may fail, the telephone service must not fail, if human effort can prevent it. This is the spirit of the Bell System.

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Galesburg, Ill.	Peoria, Illinois
Gibson City, Ill.	Quincy, Illinois
Jacksonville, Ill.	St. Louis, Mo.
Kankakee, Ill.	Sioux City, Iowa
Kansas City, Mo.	Streator, Illinois
Kewanee, Ill.	Storm Lake, Ill.
Hutchinson, Kan.	Waterloo, Iowa
Louisiana, Mo.	Watseka, Ill.
Macomb, Illinois	Wichita, Kans.

INCOME TAX DEPARTMENT

(*Continued from page* 444)

to the $200,000 mark, and all income in excess of that amount is taxable at the rate of 50%.

There are just two exceptions to the imposition of the regular surtax rates. First, is the case of a sale of mineral deposits where, under special circumstances, the surtax rate cannot exceed 16%. The second is the tax on capital net gains, a phrase new to the 1921 law and which will be discussed in a subsequent article. Here it would be significant to note that a gain on the sale of capital assets, that is, property held by a taxpayer for profit or investment for more than two years, is taxed at a maximum rate of 12½%.

Partnerships as such are not subject to tax, but the distributable income of a partnership is taxed to the individual firm members, whether or not actually distributed.

Corporations are taxed upon a basis entirely different than individuals, as they always have been. From 1917 up to the beginning of this year, corporation taxes, too, were of double nature, there being a normal tax and an excess profits and war profits tax. Beginning with 1922, however, the latter class of taxes are repealed, so that all that remains is the normal tax which is at the rate of 12½%, as compared to previous tax rates that ran as high as 80%.

In view of the material difference in the tax rates as between individuals and corporations, the question immediately suggests itself as to the advantage of one form of doing business over that of another, for it is apparent that in the case of a small business where the net income of each of the individuals having an interest in it is less than $32,000, that type of organization that will create the tax savings to the owners of the business is the individual or partnership form as against the corporation, for individuals are not taxed at the rate of 12½% until their incomes reach $32,000. The entire income of the corporation, on the other hand, is subject at all times to a 12½% tax after making proper allowance for the exemption. The difference, therefore, in tax liability as between one organization and another, is obvious.

For the purpose of further clarification, however, let us assume that corporation A is composed of three stockholders and that the net income of the corporation is $30,000. Let us further assume that partnership B is composed of three members and earns the same net income, namely $30,000. The tax for corporation A would be $3,750 (12½% of $30,000). The tax on each of the individuals of partnership B, however, assuming they were married and had no children, would be $520, or a total of $1,560. The immediate saving, therefore, is $2,190. This saving is the minimum, since it does not take into consideration the tax that the individuals would have to pay in the event that the income of the corporation were distributed to them as dividends.

On the other hand, in the case of corporations having a comparatively large income, the situation is reversed, and the advantage will lie with the corporation. Let us take the same two organizations, this time assuming that the income of each is $150,000. The corporation would have a tax to pay of $18,750 (12½% of $150,000). Each of the individuals, however, on a $50,000 income would be called upon to pay $8,640, or a total of $25,920. The saving to the corporation of $7,170 therefore results. Of course, here too, the question of dividends must be considered, since the individuals would be surtaxed on the dividend distributions to them.

No hard and fast rule, therefore, can be laid down to determine the most advantageous form of business organization. As a general proposition, however, under the law as it now stands, concerns with large incomes will have a smaller tax bill when doing business under the corporate form, than the total tax paid by the owners of a concern earning the same income, doing business as an individual proprietorship or partnership—and vice versa.

QUESTIONS AND ANSWERS

Q. If an individual is regularly engaged in the carpenter business and reports that business as his vocation or trade and in the course of a year, while employed in doing carpenter work at various places, recommends a plumber to his customers for their plumbing work and the plumber pays him commissions in excess of $6,000 a year, would the amount received in this outside business be entered for excess profit tax or would it be entered as "other income" on 1917 tax return?—R. S.

A. The 1917 Law makes subject to the Excess Profits Tax, income derived from a trade or business. In the case of an Individual the term "trade or business" comprehends all his activities for gain, profit or livelihood entered into with sufficient frequency or occupying such portion of his time or attention as to constitute a vocation or occupation. The first question that arises, therefore, is whether the recommendation of the plumber was made for profit, that is, with a business understanding, or whether the commissions were in fact a mere gratuity rather than compensation. If the latter, the amount received is not subject to the Excess Profits Tax. If the former, the question then arises as to whether it is income from a business. This would depend entirely upon the understanding with the plumber and the frequency of the transactions, since there is a strong corelation between the carpenter's business and that of the plumber. In any event, the amount received would not be subject to the usual Excess Profits Tax at rates ranging from 20% to 60%, but rather to an Excess Profits Tax at 8%, since, if the amount received arises from a business at all, it is from a business not requiring capital. Under such conditions the 1917 Law provides that the Excess Profits tax rate shall be 8%.

Q. I received a letter from a supervising internal revenue agent that a representative of

his office would call upon me in a few days for the purpose of verifying the federal income tax and excess profits returns filed by me for the year 1917 and I am instructed to have all books and data available for immediate reference. Am I obliged to comply with his request?

A. Section 3167 of the revised statutes provides that, if any person renders a return, which in the opinion of the collector is erroneous, it shall be lawful for the collector to examine the books of such person or any other person having possession of the books of account, containing entries relating to the business of such person. The right, therefore, of the Government to examine a taxpayer's records is undoubted.

Q. We are a new concern, having just started in business in June of this year. Our business consists mainly of buying rye and straw in the sheaf, threshing same, baling the straw, and selling the rye grain and rye straw in the city markets.

At all times during the year we have considerable rye and straw in the sheaf stacked on the premises. The exact quantity on hand is very difficult to determine, inasmuch as it is almost impossible to put an even number of loads in each stack, and there is considerable shrinkage in weight.

Could we not figure our taxable income each year on the difference between the gross sales and gross purchases less the total expense of operation, etc.

If so, and this method showed a loss the first year, would the loss thus shown be deductible when computing next year's taxable income?—S. & P.

A. Article 1581 provides that in order to reflect the net income correctly, inventories at the beginning and end of each year are necessary in every case in which the purchase and sale of merchandise is an income-producing factor. It is obvious, therefore, that in your case this article is controlling. It should be noted, however, that Article 1581 has been issued under Section 203 which holds that inventory shall be taken whenever in the opinion of the Commissioner it is necessary in order to clearly determine the income of a taxpayer. The matter is therefore discretional with the Commissioner, and in exceptional cases where it is absolutely impossible to determine the value of an inventory, its necessity may be dispensed with. Thus, in the case of a concern engaged in the propagation and culture of oysters, it has been held that an inventory need not be taken but instead, the cash receipts and disbursement method be used for determining income. So also in the case of farmers, growing crops need not be inventoried.

An appeal, therefore, to the Commissioner, if the facts are properly presented, might enable you to obtain a special ruling. However, under the Regulations as they now stand, your income cannot be reported without an inventory. In any event, the method you suggest, namely, the difference between gross sales and purchases less the expense, could not be used, since but one of two bases are accepted by the Internal Revenue Department—either cash receipts and disbursements, or what is known as the accrual method or inventory method.

The net loss sustained by your organization for the year ended June, 1923, would be deductible from the income of the succeeding year, and if in excess of the income for the succeeding year, it may be deducted to the extent of the excess from the income of the year thereafter.

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FINANCIAL STATEMENT

Value of taxable property, estimated	$100,000,000
Assessed Valuation	58,596,622
Total debt (including this issue)	$4,008,073
Sinking Fund.. 75,000	
Net debt	3,993,073

Population (1920 Census) 58,505

These bonds are the direct and general obligation of Eastland County authorized by a two-third's majority of the qualified voters. Under the laws of Texas there is no limit to the taxing power for road bond purposes. The levy and collection of sufficient taxes and maintenance of adequate sinking fund is mandatory by law.

Price to Yield 5.25%

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UNLISTED UTILITY BOND INDEX

POWER COMPANIES

		Asked Price	Yield
Adirondack P. & Light 1st. & Ref. 6s, 1950	B..	101	5.90
Adirondack Electric Power 1st 5s, 1962	A..	96	5.20
Alabama Power Co. 1st 5s, 1946	A..	92½	5.60
Appalachian Power Co. 1st 5s, 1941	B..	90	5.85
Calif.-Oregon Power Co. 1st & Ref. 7½s Series A, 1941	B..	105	7.00
Central Maine Power Co. 1st & Gen. Mtge. 7s Series A, 1941	C..	103	6.70
Central Maine Power Co. 1st 5s, 1949	A..	97	5.20
Central Georgia Power Co. 1st 5s, 1938	A..	88	6.20
Columbus Power Co (Georgia) 1st 5s, 1936	A..	96½	5.40
Colorado Power Co. 1st 5s, 1953	B..	95	5.30
Consumers Power Co. (Michigan) 1st 5s, 1936	A..	96	5.40
Electric Development of Ontario 5s, 1933	A..	96	5.40
Great Northern Power Co. 1st 5s, 1935	B..	95	5.55
Great Western Power Co. 1st & Ref. 7s Series B, 1950	B..	106	5.55
Great Western Power Co. 5s, 1946	A..	93	5.50
Hydraulic Power Co. 1st & Imp. 5s, 1951	A..	99	5.05
Idaho Power Co. 5s, 1947	B..	93½	5.50
Laurentide Power Co. 1st 5s, 1946	B..	95½	5.30
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power Co. 1st 5s, 1951	A..	94	5.40
Niagara Falls Power Co. 1st & Cons. Mtge. 6s, 1950	A..	103	5.80
Ohio Power Co. 1st & Ref. 7s, 1951	B..	105	6.60
Penn.-Ohio Power & Light Notes 8s, 1930	C..	103	7.50
Potomac Electric Power Gen. 6s, 1923	A..	100	6.00
Puget Sound Power Co. 1st 5s, 1933	A..	93 bid	6.00
Salmon River Power 1st 5s, 1952	A..	95	5.30
Shawinigan Water & Power Co. 1st 5s, 1934	A..	99	5.10
Southern Sierra Power Co. 1st 6s, 1936	A..	100	6.00
Southwest Power & Light 1st 5s, 1943	B..	90	5.90
West Penn Power Co. 1st 7s, 1946	B..	105	6.60

GAS AND ELECTRIC COMPANIES

		Asked Price	Yield
Bronx Gas & Electric Co. 1st 5s, 1960	B..	89	5.70
Buffalo General Electric Co. 1st 5s, 1930	A..	100	5.00
Canton Electric Co. 1st 5s, 1937	B..	95	5.45
Cleveland Elec. Illum. Co. 5s, 1939	A..	100	5.00
Denver Gas & Electric Co. 1st 5s, 1949	A..	96½	5.25
Duquesne Light Co. Pittsburgh 7½s, 1936	B..	107½	6.70
Evansville Gas & Electric Co. 1st 5s, 1932	B..	92	6.05
Indianapolis Gas Co. 1st 5s, 1952	A..	88	5.80
Los Angeles Gas & Elec. Gen. 7s, 1931	C..	105	6.25
Nevada Calif. Electric First 6s, 1946	B..	97½	6.20
Okla. Gas & Electric 1st & Ref. 7½s, 1941	B..	98	5.40
Okla. Gas & Electric 1st Mtge. 5s, 1929	A..	104	7.10
Rochester Gas & Electric Corp. Series B 7s, 1946	B..	109	6.25
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	94 bid	5.60
San Diego Cons. Gas & Electric 1st Mtge. Ref. 6s, 1939	B..	100	6.00
Standard Gas & Electric Conv. S. F. 6s, 1926	B..	100	6.00
Standard Gas & Electric Secured 7½s, 1941	C..	102½	7.30
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.30
Twin State Gas & Electric Ref. 5s, 1953	C..	88	6.25

TRACTION COMPANIES

		Asked Price	Yield
American Light & Traction Notes 6s, 1925	*B..	*101	5.65
Bloomington Dec. & Champ. Ry. Co. 1st 5s, 1940	C..	70 bid	8.20
Danville, Champ. & Decatur 5s, 1938	B..	92	5.80
Georgia Railway & Power 5s, 1954	B..	87	5.95
Kentucky Traction & Terminal 5s, 1951	C..	76	6.90
Knoxville Railway & Light 5s, 1946	C..	86	6.15
Milwaukee Light & Heat & Traction 5s, 1929	A..	97	5.50
Monongahela Valley Traction Co. Gen. Mtge. 7s, 1923	C..	100	7.00
Memphis Street Railway 5s, 1945	C..	78	6.95
Northern Ohio Traction & Light 6s, 1926	B..	96½	7.10
Nashville Railway & Light 5s, 1953	B..	92	5.50
Portland Ry. P. & L. 1st & Ref. Series A 7½s, 1946	C..	107	6.70
Topeka Railway & Light Ref. 5s, 1933	C..	85	6.50
Tri-City Railway & Light 5s, 1930	C..	90	6.65
United Light & Rys. Ref. 5s, 1932	C..	89	6.50
United Light & Rys. Notes 8s, 1930	C..	106 bid	7.00

TELEPHONE AND TELEGRAPH COMPANIES

		Asked Price	Yield
American Tel. & Tel. 5-Year 6s, 1924	A..	101	5.40
Bell Tel. Co. of Canada 1st 5s, 1925	A..	98	5.70
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.40
Home Tel. & Tel. of Spokane 1st 5s, 1936	A..	94	5.60
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	98	5.25

* Without warrants.

A—High Grade. B—Middle Grade. C—Speculative.

HIGH YIELDS ON SOME UNLISTED BONDS

Securities Still Available Showing High Yields But They Involve Element of Speculation and Care Must Be Used

A GLANCE at the accompanying bond table will show some relatively high yields to be found among the unlisted issues. Without advising purchase of securities in the present uncertain trend for markets, consideration of several issues seems worth while, as holding out possibilities for improvement in earnings next year.

Traction securities, of course, still show the highest yields but careful discrimination must be used in picking these issues as the situation is still more or less in doubt except those companies which are favored by local conditions and enjoy good management.

Among the traction company securities which make a good showing and appear to have good prospects is Detroit United Railway first collateral sinking fund 8% bonds, due in 1941. At the current offering price of 107, the 8s show a yield of 7.30% on the investment. The call feature which provides for redemption on thirty days' notice at 107½, as a whole, makes it possible that they may be taken up and they might not be desirable for the investor who is looking for a longer term. But the yield is good for investment of funds for a short term.

It will be remembered that purchase of the urban system by the city of Detroit for close to $20,000,000 deprived the company of a good source of its revenue but nevertheless the interurban lines are profitable and should insure a good source of revenue.

Indicating improved conditions, the company resumed cash dividends on the capital stock recently, making a quarterly payment of 1½%.

Middle West Utilities 8s

Middle West Utilities, Series B 8s, which are now selling around 105, show a yield of 7.50%. The company is a holding organization controlling several properties in the middle west and under the same management as People's Gas, Light & Coke and Commonwealth Edison Co. A marked improvement in earnings developed in 1921 and a better showing should be witnessed in the 1922 annual report. The 1921 annual figures showed net earnings of better than twice the interest charges.

The notes are callable after November, 1925, at 107½ and at 105 after November, 1930. The Series B 8s are secured by mortgage bonds of subsidiary companies. In 1920 the company completed a recapitalization plan which materially bettered its capital structure.

The 1921 annual report showed net earnings available for administration expenses of $386,000 and interest charges amounting to $3,441,561, compared with $1,728,814 the previous year. After payment of preferred dividend, some of which had accrued, a balance of $603,428 was shown. Interest charges on total funded debt were given as $1,434,000 in the 1921 statement.

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THE TRUTH ABOUT WALL STREET

(*Continued from page* 401)

lows. They either want to control the finances of the company, or reorganize it, or something. I think they're bad people to do business with; and I never did want to get mixed up with that Wall Street crowd."

It was the old familiar story. Then he added, with a half-smile at the visitor from New York:

"Never can tell, you know; you New Yorkers are pretty slick."

Now, what did he mean by that?

He meant only this. For one reason or another every man, woman and child living more than fifty miles outside of New York looks upon the entire city with suspicion. New Yorkers dress differently. They talk differently. They have different pastimes and pleasures. Or do they? They lead a hectic existence in the Street by day, theirs is a shirt-sleeve battle on 'Change. So the novelists assert and the public swallows it as good truth. At night the pirate forsakes his hunting ground for a wild night on the Great White Way. The popular songs and lurid scandals in the press have pointed that out. All the large New York newspapers are circulated in every state in the Union.

A nine-days' sensation in New York is a lifelong topic for the ladies' sewing circle in a small town. The "Beware" sign has been hung out against New York as a city ever since our Mid-Victorian humorists portrayed Uncle Josh's experience with a pickpocket in Gay Gotham. All the sordid life of the largest city ever thrown together by this earth's inhabitants has been blotted into the farthermost recesses of our country, there to be made up into sermons for small-town preachers to purchase by the barrel—at reduced rates.

New York an Object of Suspicion

The truth of the matter is that people are just naturally or unnaturally suspicious of New York—and Wall Street shares in that suspicion. The theatre, housing condition, high rents and a very high and commendable standard of living are suspected by the out of town inhabitant because with him these things are different.

Because they are foreign to him and his environment they must be unworthy. Little does he reckon their merits on the basis of life, liberty and the pursuit of happiness. We have often heard persons assert that the "Wall Street gang" was responsible for prohibition "because the big business people wanted to get more work out of their employees." On the other hand, one can hear prohibitionists declare that "Wall Street" is trying to kill prohibition because all the big men have an interest in the liquor business.

And when it comes to securities, those fellows are supposed to sit up nights and gloat over their get-rich-quick schemes for mulcting poor suckers out of their hard earned savings. There is no end to it. Everybody looks upon New York with suspicion. It matters not that New York's charities are the most extensive on earth; that provisions made for the comfort and well-being of the average person are more extensive there than anywhere else; that thousands of the people who "control Wall Street" spend most of their time in philanthropic or charitable work, shouldering these unrecognized burdens from a sense of responsibility to their less fortunate brethren. Nowhere else, it seems to us, have new ventures been given the sympathetic attention as in New York. And New York is the Mecca for every conceivable sort of venture desiring attention, pap, nourishment or sustenance. One way or another, it comes out of Wall Street, and Wall Street taken by and large is simply an intermediary between the investor and the venture. Here we are again, back in Wall Street.

Probably no institution exists with the strict rules and regulations enforced by the New York Stock Exchange. Conditions are not ideal, however. Once admitted to membership a trader in securities is not subjected to the constant surveillance that would seem desirable. Recent failures of prominent brokerage houses would lend color to the opinion that Wall Street has harbored its black sheep, without taking the trouble to find out whether they were black or simply off-color. The leak investigation in 1919, when it was reported that certain financial groups had made huge profits out of advance information concerning the armistice and other vital questions, gave the entire financial world a black eye. It made one feel that somewhere higher up, always higher up, were persons who through political or money power could actually control the destinies of nations. That may be true in a sense; but it is not sufficiently prevalent to have any effect whatsoever on the fortunes of the average investor.

Wall Street Simply a Barometer

Again it may not be true; could not be, if the voters elected to office persons of known honesty. Wall Street is credited with influencing industrial and business conditions when as a matter of fact it is simply the business barometer of the country. The Street reflects the condition of the consumers' market. It does not control the source. If grain crops are good and there is a surplus which cannot be disposed of either here or abroad, prices fall. Trading is brisk or dull, here and there, and the same applies to industrials. Certain groups having in mind the safety of their investors' money, may form a pool to bolster up the market. The reverse may be the case; though it is rare that the public generally has no opportunity to participate in any sort of intense activity.

We have in mind an occasion two years ago when a friend approached his uncle who is a partner in one of the largest financial houses. Said the nephew:

"I have a thousand dollars in cash; and I wonder if you could advise me how to invest it"

"My boy," said the financier, "if I had

a thousand dollars in cash this minute, I would either deposit it in a good bank or buy Liberty bonds."

Which was excellent advice at that time for any investor; because any one of a dozen things might have occurred momentarily, which would have caused losses in any venture. Our big men of finance are not octopuses; nor are they gluttons. Commissions and profits are made best when they are made steadily and with the full confidence of the public. The world is in such a sorry state to-day that those who keep their fingers on the pulse of finance are quite content to move slowly and cautiously. And they are trying mighty hard to keep the public moving slowly and cautiously—but always moving.

One who has made it his business for years to tabulate business methods and separate the good from the bad, told us recently:

"You are right in saying that Wall Street is always under suspicion because all New York City is under suspicion. Wild tales of speculative enterprises, with huge fortunes won and lost overnight, are 99 and 44/100 per cent sheer bunk. The average trader, that is the man who deals with and handles securities for the average investor is too shrewd a person, if he is honest, to gamble with his own funds or those of his customers. How long would he have a clientele if he squandered their money? We hear now and then of the vast sums made by the great banks and trust companies. Is it not a wide stretch of the imagination to conceive of these institutions risking trusts and deposits when they might control the market? For one thing, our national banking laws would prevent such operation. For another, they simply do not do it. The vast dividends you read about are actually earned on capitalization and surplus. Remember that these big institutions have lived many years. Their officers are hard-headed and invariably conservative business men. They conserve their assets and count the pennies. The sum-total is often staggering. Their greatest risk is the mortgage risk.

"Our great banks support the smaller ones, within reasonable limits. The smaller banks thrive on mortgages or similar transactions. Most of the profits in the banking business are accumulated interest within legal limits. In this way —recalling the story of the South Carolina mule—all business ventures in the country are financed progressively before their cash registers ring up a dollar, at least before they show substantial returns. The average business is started on a shoe-string. The tendency of a person starting a business is to throw into it everything he has or can get his hands on. It is our great American habit of plunging. The time comes quickly when an expansion is necessary. Where does the expansion start and finish? With capitalization. Trace it back and you'll come to Wall Street."

Wall Street is admittedly on the defensive today. That is part of the trouble. Court calendars are full of Wall Street cases. But are they? A New York newspaper reporter who has cov-

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ered the more sensational cases expressed the idea rather cleverly when he said:

The Side-Show

"I am beginning to look upon the financial district as a mighty interesting circus. Only they have a rotten side-show, with all the three-card monte and shell games going full blast. A person can hardly get into the big tent because he is stopped by these pikers and before he knows it all his money is gone."

We might have added: "And then he goes and knocks the whole show."

It is this fringe of stock-jobbing bandits that has put Wall Street on the defensive. One explanation after another comes up Nassau Street and into the newspapers along Park Row. All of the publicity has been of a defensive nature. Good, but how much better it would have been before the turn had been called.

Today the good-will of commercial America is on trial. An absurd statement, were it not for the fact that it is true. Wall Street has never done anything to protect its good name. The public has never been given a chance to draw its conclusions about the good-will of commercial America. There have been no sources of unbiased information. The financial houses have only recently begun to issue statements in advance of some crisis or other where they might be forced to explain.

A sensible merchant advertises and continuously harps on the faith and integrity of his wares. In any street other than that termed Wall Street the crook would have been labeled and tagged as such, and then ousted. Individual houses cannot do it. If they are competitors, they run the risk of being partisan; and might reasonably be charged with jealousy. Other institutions have no means of knowing the crook until he has done his work. This has led the public to believe that Wall Street is indifferent to the crooks within its midst. Surely, you say, a fake security is easily recognizable. Yes, that is true; but until one is confronted with the facts in the possession of a victim, i. e., a relevant witness, he has no means of proving a case.

The blame here rests with the public. The sucker list grows longer day by day. It is astounding, the number of persons who seem to live to buy fake stocks and delve into questionable enterprises. As we said before, conditions represent the people at large. Where you will find ten men wearing conservative clothing, you will find ten times that number wearing makeshift, ready-to-wear garments to which they have been attracted by the fancy cut. There is a taste in finance as there is in wearing apparel. Until one learns to buy the right kind of clothes, so to speak, you cannot expect to exercise better judgment with investments. As long as a goodly part of the investing public is content to accept the word of the promoter, the dishonest trader or the professional tout, just so long will these people remain on the fringe of Wall Street—unless there are sources of information developed which are competent to separate the good from the bad and so qualified by public authority, police powers of the State, or by legislative action.

There are such bureaus in operation today. They are working with Chambers of Commerce and legitimate financial and commercial institutions. One can learn everything there is to know about a proposed investment and then on top of that receive expert advice as to whether or no.

Wall Street has been unfortunate yet utterly to blame for this suspicion engendered in the public mind. But Wall Street, taken for all it is worth, is no better or worse than the rest of the country. The country makes Wall Street. Let Wall Street discard its side-show and then perhaps—but then, if the side-show with its shell games and bucket brigade goes elsewhere, who can tell but what the public will follow it from sheer force of habit? Apparently it is up to Wall Street with the aid of constituted authority to make all financial chicanery so unprofitable and dangerous that the thing will cease to exist. Until then, Wall Street is courting all the blame—the black sheep running with the flock makes black sheep of them all.

Securities and Commodities Analyzed in This Issue

ARE WE PREPARED FOR THE RADICAL ONSLAUGHT?

(*Continued from page* 401)

half-baked prejudiced minds. I say, Mr. Banker, Mr. Farmer, Mr. Business Man, Mr. Professional Man, any Tax Payer, or Home Owner who is a freedom-loving citizen, that your very existence is on trial. You have carelessly and unheedingly permitted unsound principles and policies to become enacted into laws, without any concern. You have permitted such laws as the primary election laws to be placed on the statutes which are having the all too destructive effect of making the election issues propounded to the voters. Men, with no particular principles back of them, instead of Principles, with big men pledged to those principles. This is wrong. This government was not founded on men. It was founded on principles and principles must govern or there cannot be organization. You cannot expect men whom you elect to political office to have the courage of their convictions and fight for the sound economic and social principles upon which this Government was founded without you evidence public courage and do not hesitate yourself to deal frankly and courageously with untruthful and unsound heresies wherever uttered.

The great and sincere minds who were the framers of the Constitution of this country, having before them the task of moulding a code of principles as a guide to the development of a previously tax-burdened and deprived people into a nation of wealth and happiness, were vigilant and realized the necessity of so perfecting their work as to insure reward for initiative, to guarantee the right to own property, to accumulate and retain, or not, as he chose, the fruits of his efforts. Farsighted and inspired they realized that only by capitalizing the inherent selfishness of individuals by giving them opportunity to accumulate wealth in accordance with individual initiative and ability could they insure the progress of a nation. Human nature does not change. The same instincts exists today. There still exists that same necessity for reward, for iniative and ability that must not be discouraged by such restrictions as the so-called "priority rights" among those in certain kinds of employment, by class legislation, by governmental aid to every and all kinds of sick business, tending to reduce the efficiency and progress of all to the level of the less capable and the inefficient.

Organization among classes of any kind is good. Good for all when for a good purpose and employing only lawful weapons. However complete any organization, however powerful it may appear to be, it will land on the rocks and destroy itself when its conduct becomes unfair and burdensome to others. None must be deprived of the privilege to work and pursue the dictates of his

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own conscience. There must be protection and proper recognition of the small business as against the large. Tax burdens should be equalized on all in proportion to what they have acquired in wealth under the rights accorded them to accumulate it. It should not be possible for any wealth to escape taxation by the purchasing of more and more tax exempt securities. With the further issuance of tax exempt securities industry will lose the use and support of both big money and big men, thereby creating an idle class not paying their just proportion of the cost of maintaining the government under the laws of which they were rewarded for their initiative.

In recent years certain classes of our people have advocated laws and practiced policies through organized effort which tend to deviate from some of the fundamental principles laid down in our Constitution and to the detriment of all, including themselves.

We must get back to where it is right to be successful and to be rewarded for initiative and ability without incurring the hatred of fellow men, and I believe the correction is practically entirely economical in character but of necessity must be made by political activity. In any movement political in character we cannot expect unanimity of opinion; therefore political organizations must have platforms or declarations of principles, to take before the people for their choice, instead of men to be judged by their ability to orate and to excite and confuse the public mind on the issues of the day.

The present lines of political demarcation are not properly defined by the designations Republican, Democratic and Socialistic.

Today the people are actually divided into two classes, those who believe in communism, pure socialism or state socialism, who may be bright cardinal or pale pink but are tinged with red, and those who stand squarely on the principle that what a man rightfully secures is his and his only—the doctrine of property rights.

ANSWERS TO INQUIRIES ON INDUSTRIAL SECURITIES

(*Continued from page* 453)

ment, we do not favor their purchase, as it is very doubtful in our opinion, whether the company will be able to maintain earnings for any length of time at the present highly satisfactory figures. The largest part of the company's earnings comes from the production of oil in Mexico, and this is a very uncertain proposition. Many fields there have gone entirely to salt water, and one never knows when other fields will be seriously affected. When the present stock dividend is paid, there will be more than 2 million shares of Pan-American stock outstanding, and, while present earnings easily justify the $8 rate, the question is how long will they continue on so favorable a basis? Moreover, we feel that the main trend of the stock market is now down, and as Pan-American stocks have had a remarkable upward move in the past three weeks, we believe it quite likely that they will recede from present levels.

PIERCE OIL

Lost Money in 1922

Will appreciate your opinion of Pierce Oil common.—Ithaca, N. Y.

Pierce Oil common is highly speculative and we do not favor it. In the past the company has apparently suffered from very poor management, and its credit has been greatly damaged. Recently new interests have taken charge of the management and it may be that they will be able to show better results, but this will take a long time to work out. For the first seven months of 1922 the company reported a deficit of $779,048, which is a remarkably poor showing in view of the fact that in this period most oil companies were able to show very handsome profits.

STOCK EXCHANGE FAILURES

We who have lost heavily in the Wagner smash exhibit signs of "shell-shock" every time we read of the failure of a member of the Stock Exchange. We think perhaps the next one will catch us again. Now here is a suggestion which we think, if carried out, would greatly benefit your readers and other investors. Why not keep a list of firms with which your readers trade and when it leaks out that any one of these firms is in distress, wire the interested reader to "close out all commitments." The investor would then have a chance of saving himself instead of being caught and learning two days later that it was commonly known that his broker was in a precarious position. I hope that this or some similar system can be worked out for investors who live in remote districts.—C. M.

We would like to follow your suggestion, but it is impossible for us to tell when a failure is going to occur. In fact, if we believed every rumor we hear, we would think that everybody was going to fail.

Our plan, however, is to induce the New York Stock Exchange to take the proper steps, as you can see by the editorial in the December 9 issue of THE MAGAZINE OF WALL STREET. They can do it and should do it. The public needs this protection. If they get it, then everybody can trade with Stock Exchange houses or branches—not their correspondents—and they will have a measure of protection that can be secured in no other way.—Editor.

AMERICAN BOLT 7s

Well-Secured Bond

I have in mind a purchase of American Bolt Corporation 1st mortgage 7% bonds at par. What is your opinion of this bond?—H. L. P., Chicago, Ill.

American Bolt Corp. $1,750,000 1st mortgage 7s, due 1937, are secured by a direct first (closed) mortgage on all the fixed assets of the company now owned or hereafter acquired. The properties have been appraised at a replacement value of $4,534,263 and at a net sound depreciated value of $3,683,336. Balance sheet as of October 1, 1922, after giving effect to this financing shows current assets of $1,524,306 as against current liabilities of $175,000. For the five years ended December 31, 1921, net earnings available for interest depreciation and

taxes of the constituent companies averaged $362,000 per annum as against interest requirements of $122,500. For the three months July 1 to September 30 net earnings were $115,246 or at rate of $461,000 per annum. American Bolt Co. is a consolidation of four leading bolt and nut manufacturers and the bond issue was put-out to complete the acquisition of these companies. This bond is well secured in our opinion and at the offered price of 100 to yield 7% makes an attractive investment.

MOTHER LODE COALITION

Very Low Cost Producer

Please let me have your analysis of Mother Lode Coalition.—A. M. L., Cortland, N. Y.

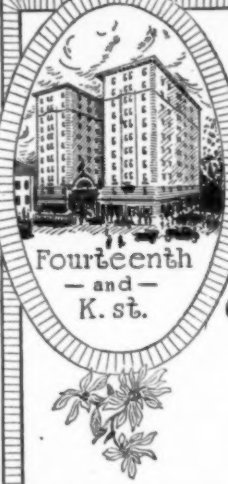
Mother Lode Coalition is the lowest cost copper producer in the world. It can lay down its copper in New York under 7 cents a pound. This naturally places the company in a very favorable position for it can realize 7 cents a pound profit on a 14 cent copper market. In 1919 Kennecott Copper purchased 51% of the stock of Mother Lode Coalition. The price was $1,000,000 and an agreement to give the new company the benefit of its facilities for milling, smelting, refining and selling, these services to be charged for at not more than cost. Under this contract Kennecott has been treating 6,000 tons monthly of Mother Lode ore. The contract has recently been renewed to 1928 and provides for treating 12,000 tons. Mother Lode can increase its output under this contract by shipping out a larger quantity of high grade ore to the Tacoma smelter. Milling ores average 6.66%, but the high grade ores assay close to 70%. Heretofore, the company has averaged shipments of high and lower grade ores to produce a net yield of about 16% copper. The company's property adjoins the Bonanza and Jumbo mines of the Kennecott Copper Corporation in Alaska. The mine is being developed along lines consistent with good mining practice and at present there is 7 years ore reserves in sight on production basis of 12,000 tons of ore monthly. At the present time it is mining 6,000 tons monthly. In 1921 the company reported net income before deducting depreciation and depletion of $1,111,578. The stock is not unattractive as a long-pull speculation at present levels, for with increased production it should be able to maintain at least $1 per share per annum in dividends with copper at its present price.

DELAWARE, LACKAWANNA & WESTERN

Not Earning Dividend

Your advice to sell stock in October was very timely and I have disposed of my speculative commitments to good advantage. I still own outright, however, fifty shares of Delaware, Lackawanna & Western and will appreciate your opinion as to the desirability of continuing to hold it for investment.—C. M., Williamsport, Pa.

Delaware, Lackawanna & Western outstanding stock was doubled in August, 1921, by the payment of a 100% stock dividend and there is now outstanding $84,554,000 of a par value of $50. In July, 1921, the company's valuable coal properties were sold to the Glen Alden Coal Co.



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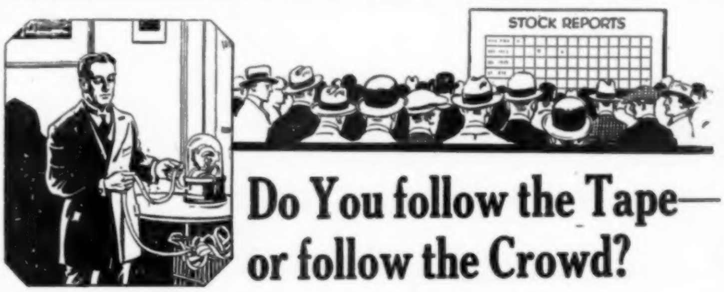

Do You follow the Tape— or follow the Crowd?

The large percentage of unsuccessful traders in the stock market are those who operate chiefly on what they hear. They are hungry for tips; they absorb rumors; they seek "inside information"; they act on such news as they find on news slips, news tickers, newspapers and the usual run of market letters.

The minority of traders—that small minority who are successful—look not to *news* but to the *tape* for their information. They base their commitments on the interpretation of the action of the market itself—which records the momentary supply and demand of securities and indicates the direction in which the market is swinging.

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for 60 million of the latter company's 4% bonds. Dividends on this increased stock are now being paid at the rate of $6 per share per annum. Earnings of the road were very seriously affected in the current year because of the coal and shopmen's strikes, and for the ten months ended October 31, 1922, earnings were at the rate of only $3.40 per share on the stock. While under normal conditions the road can undoubtedly cover its $6 dividend with a liberal margin to spare, it is our opinion that at present levels of 130 the stock is selling out of line with many other good railroad stocks, and, in our opinion, it is advisable for you to sell out.

WANTS TO INVEST IN STOCKS

Present Time Inopportune

I have a few thousand that I desire to invest in some good dividend paying stocks. Something that will give a fair return and that has a good chance of going higher. I have been considering Studebaker. What are your ideas?—T. H. K., Terre Haute, Ind.

We do not believe that the present is an opportune time to invest money in stocks for we feel that the future outlook is too uncertain. With the European conditions so upset we do not feel that our present prosperity is resting on a sound foundation and are inclined to look for a slowing up of business next year. The stock market appears to have already taken warning from the outlook and we feel that the main trend is now downward and that later on considerably lower levels will be seen. Instead of investing in stocks, therefore, our suggestion is that you keep your funds in a strictly liquid condition and wait for a better opportunity to buy.

Studebaker has made a remarkable showing up to date but we would not buy it at this time. There has been very big production of cars and should there be a slowing up in industrial activity the automobile industry would be bound to feel it to a large degree.

S. S. KRESGE

Has Promising Future

Your valued opinion is desired in regard to S. S. Kresge stock.—V. L. H., Wilkes-Barre, Pa.

S. S. Kresge Co. has shown a splendid record over a long period of years, net income having increased every year in the past ten yeas. Earnings for 1921 were equal to 20.25% on the common stock and even a better showing is anticipated in 1922 for sales have shown a substantial increase. The company is in excellent financial condition with a working capital of about 9½ million dollars. We are inclined to take a very optimistic view of the future of this company as earnings do not appear to be affected by hard times and it is continually opening new stores which increases the gross business and also the net. The stock, however, has had a very big advance this year, and at present levels of around 185 we do not suggest its purchase, and if held would advise sale around that figure, for market conditions are now unfavorable and it is very likely that stock sold at these levels could be replaced considerably lower down.

RADIO CORPORATION

Long-Pull Possibilities

How do you regard Radio Corporation common and preferred stocks?—M. M., Los Angeles, Cal.

Radio Corporation appears to have a good future ahead of it in view of the big demand at the present time and the promise of a large future demand for Radio receiving sets. This company is sales agent for the General Electric and Westinghouse Electric Company and is making good profits from the sale of these sets as well as from long distance Radio Service. The preferred stock is entitled to 7% cumulative dividend starting January 1st, 1924, on its par value of $5, and it appears quite likely by that time earnings will be sufficient to pay the preferred dividend. We believe, therefore, that at present price of 2⅞ the preferred stock has an excellent chance of showing about a 50% appreciation in value in a year's time. The common stock is in a more speculative position as this is a very large issue and holders may have to wait some time before getting any return on their investment. As a long-pull proposition, however, it is not unattractive.

RAIL EARNINGS INCREASE SHARPLY

(*Continued from page* 407)

ords and had it not been for mounting costs and extraordinary expenditures incidental to the shopmen's strike, net earnings would have been exceptionally large.

Outlook for December

There will, of course, be the usual seasonal decline in December earnings, but the volume of traffic continues to exceed that of both 1921 and 1920, and in fact, is heavier than usual for this time of the year. The writer anticipates a rather good showing for the last month, which, in most cases, should not fall far below the October earnings.

BLUE SKY LAWS

Blue Sky Laws are laws intended to control corporate financing and stem the tide of fraudulent promotions. The provisions of the "blue sky laws" vary with the states which have enacted them, but, more or less roughly, they provide for the filing of certain essential information in the states' archives, payment of license fees, and liability of revocation of license in event of subsequent irregularities.

People whose favorite remark, when any new social ill is discovered, is "they ought to pass a law about it," may believe that blue-sky legislation is of real value, that it actually does hamper the fake promoter. But those who deal with facts and who have tracked the promoter to his lair know otherwise.

To the well-informed, the only effective weapon against the fraudulent promoter is education. Campaigns such as that being conducted by the Investors' Vigilance Committee are what get results.

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Members Detroit Stock Exchange

FINANCIAL NOTICE

BAYUK BROS., INCORPORATED
Philadelphia, Penna.

By resolution of the Board of Directors of Bayuk Bros., Incorporated, adopted December 15th, 1922, the sum of One Million Dollars ($1,000,000.00) has been transferred from the Surplus of the corporation to Common Capital Stock Account without the issuance of additional shares thereby increasing the Common Capital Stock Account and decreasing the Surplus Account by the sum aforesaid.

The Treasurer of the Company was also authorized to request sealed offerings from the holders of shares of First Preferred stock and to accept for purchase and retirement shares of such stock at the lowest price at which such stock might be offered not exceeding, however, the redemption price of $110 per share. Letters requesting such sealed offerings will be mailed to all First Preferred stockholders.

HARVEY L. HIRST, Secretary.

Intimate Talks With Readers

Precedent Is Worth While

THERE is more than mere "precedent" behind this. The law of averages, and the natural tendency to be optimistic during bull markets accounts for the failure of most of the new ones to make good in their new dress. Isolated cases do not occur of bull market recapitalizations surviving the excitement, but they are in the minority. We can point to Coca-Cola among the new friends of the last bull market as among the fortunate ones that ultimately made good after proving a failure marketwise. This stock was widely distributed from above 30 to around 45 in 1920, and our inquiries show that the majority bought between 40 and 45. As we are in communication with about 100,000 investors, these inquiries are an excellent cross-section of investment doings throughout the country. One of the advantages of publishing a leading financial magazine is knowing what the public is doing, and we know from fifteen years' experience of this work that said public is enthusiastic at or near the top. Coca-Cola made good, but it proved a failure for the original 1920 investor because the stock afterwards dropped below 20 and the accompanying publicity was bearish in the extreme—and most of the original investors sold out between 25 and 20 perhaps against their inclinations, and perhaps against their real judgment. But people do not buy outright, and they are not buying the present high-priced recapitalized corporations outright. They are buying them on margin, and because their number is the majority, the ultimate weight of their forced sales will on precedent and experience force prices of unseasoned securities *down*.

"Hangovers" from Bull Markets

It is bad enough to carry U. S. Steel from an investment level above 100 to the lower 70s, but the investor in "Steel" unless forced out by the exigencies of his finances knew definitely that *one day* "Steel" would stage a comeback—as it did in 1920. At its lowest level it lost but 33% of its average quotation, and investors as a whole lost perhaps between 30% to 40% of their investment value so far as the market goes. But the company continued its dividend throughout, and that probably encouraged holders to hang on. There was absolute justification for doing so. Yet, another leading issue like General Motors was not in the same class because of its recapitalization during a bull market. Here also, as in Columbia Graphaphone, the stock was split up on a ten-for-one basis, and distribution was heaviest in the 40s with a dividend, equal to 400 for the old stock. GMO dropped to about 10.8 (and with it went its dividend), which is equal to a price of 100 to 80 for the old stock, and a 75% loss to investors. Yet, many wise investors bought General Motors on the decline between 30—20 because the stock then looked cheap after selling at 41½ forgetting, and perhaps unaware of the general

Are YOU Old at 40?

You have observed that some men of 60 appear to be younger in activity than other men of 40 or 50. There is a vigor, an alertness, a commanding appearance much admired and coveted by the man who knows he is much younger in years. Perhaps the most common cause of ebbing strength is a disturbed condition of an important gland. Even men of iron constitution are not exempt from this serious and common irregularity.

Our plainly written, interesting, educational

FREE BOOK
Why Many Men Are Old at Forty

may bring a priceless message to you. It will tell you much you wish to know about the prostate gland and its functions—and how a disorder here may cause sciatica, backache, aches in toes and heels, mental depression, interrupted slumber, frequent micturation and other disturbing conditions. It will tell you of Thermalaid, a simple means by which the essential of an old hygienic principle, done into new convenient form corrects this prostate gland condition and its attendant health faults,—a method that is being endorsed by prominent Physicians, Physical Culturists, and other leading health authorities. The book will be sent free, to anyone upon request. Physician's inquiries especially invited.

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By Richard D. Wyckoff, Editor of The Magazine of Wall Street

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Jan. 6

rule that it does not pay to buy into recapitalized companies in a bull market, unless the buyer can pay outright, afford a big market depreciation, and hold until the next bull market comes along.

Before considering an investment in any recapitalized corporation it may be well to inquire the number of new shares outstanding, and then multiply that number by the "bull market quotation." The value for the common stock, as judged by the bulls, will then be seen. That value might then be compared with prices prevailing for the old stock prior to recapitalization. Very often reliable quotations for closely held corporation issues are difficult to secure. If that be so—why buy into an acknowledged uncertainty? If a comparison is possible, it is suggested that the new valuation be compared with former prices, particularly prices prevailing during former bull markets. It will be found as a general rule, that a very liberal valuation has been placed on the enterprise, and that the first business depression that comes along will not support average present prices.

CUMULATIVE INDEX TO VOLUME 31

Pages Issue

1-96 —November 11th, 1922

97-192—November 25th, 1922

193-288—December 9th, 1922

289-384—December 23, 1922

Page

A

B

C

D

E

F-G-H

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I

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O-P-R-S

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Secretaries of Corporations:

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Your stockholders are duly notified when a dividend is declared when they receive their checks; therefore, your notices appear in the newspapers only as a matter of record. Why not show prospective stockholders that you pay dividends regularly and thus build up good will? When your dividend notices appear only on the financial page of the daily newspapers they are read by those who are interested in the stock market and not the investors throughout the country whom you should desire to reach.

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Magazine of Wall Street

42 BROADWAY NEW YORK

DIVIDENDS

PACIFIC GAS AND ELECTRIC CO.

Cash Dividend Number 28 and additional Stock dividend on Common Stock.

A quarterly dividend of One Dollar and One-Half per share upon the Common Capital Stock of this Company will be paid on January 15, 1923, to shareholders of record at the close of business Dec. 30th, 1922. The Board of Directors also declared an additional dividend on Common Stock of Two Dollars per share payable to stockholders of record at close of business December 30th, 1922, in Common Stock at par issuable thereafter when approved by the Railroad Commission of the State of California. The Transfer Books will not be closed. Checks for the cash dividend of One Dollar Fifty cents per share will be mailed from the office of the Company in time to reach stockholders on the day they are payable. The Stock dividend of Two Dollars per share will be distributed to Stockholders as soon as the necessary details for the issuance thereof have been completed.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.

San Francisco, California.

HUPP MOTOR CAR CORPORATION

Preferred Dividend No. 20

Detroit, Michigan, December 18, 1922.

The Directors have declared a quarterly dividend of 1¾% on the 7% Cumulative Preferred Stock, payable January 1, 1923, to stockholders of record December 29, 1922. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

INTERNATIONAL PAPER COMPANY

New York, December 27, 1922.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent (1½%), on the preferred capital stock of this Company, payable January 15th, 1923, to preferred stockholders of record at the close of business January 8th, 1923.

OWEN SHEPHERD, Treasurer.

CHICAGO PNEUMATIC TOOL COMPANY

DIVIDEND NO. 71

A quarterly dividend of one per cent has been declared on the Common Stock of this Company, payable January 25th, 1923, to stockholders of record at the close of business January 15th, 1923.

J. L. PRICE, Treasurer.

New York, December 26th, 1922.

BAYUK BROS., INCORPORATED

Philadelphia, Pa.
December 27th, 1922.

Quarterly dividend of 2% on First and Second Preferred Stocks of this corporation has been declared payable on January 15th, 1923, to the stockholders of record December 30th, 1922. Checks will be mailed.

HARVEY L. HIRST, Secretary.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Advertising Department, Magazine of Wall Street

FORTY YEARS WITHOUT LOSS TO ANY INVESTOR

A booklet which briefly describes the first mortgage bonds, safeguarded under the Straus Plan, the naure of the safeguards, and the definite reasons underlying the record of this house. (217)

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

BETTER BOND INVESTMENT

An interesting circular on this large long established first mortgage bond house, giving a thorough and complete explanation of the methods emplayed in negotiating their loans. (234)

AN INTERESTING SERVICE LETTER

Issued by a well-known Stock Exchange firm, calling attention to a new investment problem that confronts the investor as a result of the remarkable transformation which has occurred in the investment field during the past year. (237)

"WHAT IS A GILT EDGE SECURITY?"

This pamphlet should be in the possession of every investor who is on the alert for a high degree of safety and a good yield for his money. Sent without obligation by a leading bond house." (244)

STEWART WARNER SPEEDOMETER CO.

An analytical and statistical review of this company which manufactures 90% of all speedometers used. This leaflet discusses the outlook for the stock. (245)

OPPORTUNITIES FOR THE CONSERVATIVE INVESTOR

Investment suggestions put out by one of the leading New York Stock Exchange firms. Of interest to those investors whose first consideration is security. (246)

CERRO DE PASCO CORPORATION

An interesting booklet issued by a copper Co. whose cost of producing red metal is practically nil owing to its large recoveries from gold and silver. (247)

JANUARY INVESTMENTS

A booklet describing numerous issues of State Municipal, Railroad, Public Utility, Industrial and Foreign Government Bonds, selling at prices to yield approximately from 4% to 8%. (248)

SOUTH AMERICAN BONDS

A highly interesting and instructive booklet describing some of the leading South American issues. (249)

THE GREENSHIELDS CATALOGUE

Describing and analyzing 39 representative Canadian bonds and stocks of the highest grade, giving all the information as to each security that a buyer will require. (250)

SAVING MADE MORE PROFITABLE

A booklet describing a partial payment plan for the purchase of high-grade securities, issued by a well known investment house. (251)

JOINT STOCK LAND BANK BONDS

A 20-page booklet tracing the history and economic development of these bonds issued under supervision of the U. S. Government and based on first mortgage farm loans. (252)

INVESTING BY MAIL

A fortnightly review of great value to out-of-town traders and investors, issued by a well-known stock exchange firm. (253)

CREATING GOOD INVESTMENTS

A booklet issued by a well-known Southern First Mortgage Bond House describing bonds yielding 7%. (254)

BUILDING AN INCOME WITH GUARANTEED BONDS

A booklet free of cost about bonds free from worry! It shows the way to financial independence and can be read in ten minutes. (255)

JANUARY INVESTMENT GUIDE

Issued by the oldest first mortgage house in Chicago. It explains how to invest savings at the highest interest rate consistent with safety. (256)

T-U

V-W-Y-Z

$60,000,000

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Guaranteed as to principal, dividends and sinking fund by Armour and Company, of Illinois

Authorized $100,000,000 Par value $100 To be presently issued $60,000,000

Dividends payable quarterly January 1, April 1, July 1 and October 1, cumulative from January 1, 1923

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On or before February 1, 1925, and in each year thereafter, the Company shall out of its net earnings, after payment of full dividends on the Preferred Stock, retire at not exceeding $110 per share and accrued dividends, not less than 1% of the maximum amount of Preferred Stock theretofore issued.

CAPITALIZATION	Authorized	To be presently issued
First Mortgage Bonds	(*)	$50,000,000 (**)
Seven Per Cent Guaranteed Preferred Stock . .	$100,000,000	60,000,000
Common Stock	60,000,000	60,000,000

(*) Additional Bonds may be issued under restrictions described in the President's letter.
(**) Twenty-Year 5½% Gold Bonds, Series "A," Guaranteed by Armour and Company of Illinois.

From his letter, Mr. J. Ogden Armour, President of Armour and Company, of Illinois, summarizes as follows;

Properties and Business: The New Company has been organized under the laws of the State of Delaware to acquire from Armour and Company, of Illinois, certain of its properties and assets for the purpose of facilitating the administration and financing of its business. The properties and assets to be acquired include certain packing houses and cold storage plants, the Armour Fertilizer Works and various other American subsidiaries, all of the South American and Cuban subsidiaries, plants devoted to the manufacture and distribution of by-products, including the Armour Soap Works, and approximately $23,000,000 of investments.

All of the Common Stock of the New Company will be owned by Armour and Company, of Illinois, which will receive the proceeds of the $60,000,000 of Guaranteed Preferred Stock and of the $50,000,000 of First Mortgage 5½% Bonds to be presently issued by the New Company.

Proceeds of Issue: The proceeds of the $60,000,000 of Preferred Stock and of the $50,000,000 of First Mortgage 5½% Bonds of the New Company, to be presently issued, will be received by Armour and Company, of Illinois, and used by it for the retirement of its outstanding 7% Ten-Year Convertible Gold Notes amounting to $59,968,000 and its outstanding 6% Serial Convertible Gold Debentures amounting to $3,697,200, for the reduction of its floating indebtedness and for its other corporate purposes.

Earnings: Based upon the earnings of the properties to be acquired by the New Company, the net earnings available for dividends on its $60,000,000 of Preferred Stock for the six-year period ending October 29, 1921, after appropriate adjustments and after depreciation, Federal taxes at present rates and interest on the $50,000,000 First Mortgage 5½% Bonds and other indebtedness of the New Company, as certified by Price, Waterhouse & Co., averaged approximately $10,880,000 or more than two and one-half times the dividend requirements on the $60,000,000 of Preferred Stock.

For the first eleven months of the calendar year 1922, notwithstanding the adverse conditions prevailing during the first half of the year, the net earnings of these properties applicable to dividends on the Preferred Stock, on the same basis, exceed the annual dividend requirements of $4,200,000 on this issue.

During the recent period of depression in the industry, Armour and Company, of Illinois, suffered severe losses, but operations during the past few months have resulted in substantial profits, thus indicating a return toward normal conditions.

Assets: The consolidated balance sheet of the New Company as of August 26, 1922, after giving effect to the issuance of its $60,000,000 of Preferred Stock and $50,000,000 of First Mortgage 5½% Bonds and the receipt of the proceeds thereof by Armour and Company, of Illinois, as certified by Price, Waterhouse & Co., shows, after deducting the $50,000,000 of bonds and all other indebtedness, net tangible assets of $128,359,000. As shown therein, the net current assets alone are $60,424,000.

Guaranty: Armour and Company, of Illinois, will unconditionally guarantee, by endorsement on the Preferred Stock Certificates, the payment of quarterly dividends at the rate of 7% per annum and of the sinking fund installments on the Preferred Stock and that the holders thereof will receive upon the winding up or liquidation of the New Company, whether voluntary or involuntary, $110 per share and all accrued dividends, thus obligating the assets of the Illinois Company for the dividends upon and the ultimate redemption of all of this Preferred Stock issue.

Price $99 per Share and Accrued Dividend

All legal details in connection with this issue will be subject to the approval of Messrs. Rushmore, Bisbee & Stern, of New York and Messrs. Mayer, Meyer, Austrian and Platt, of Chicago, for the Bankers, and Mr. Charles J. Faulkner, Jr., of Chicago, for the Company.

This offering is made "when, as and if issued and accepted by us," subject to the approval of our Counsel. Delivery may be made in the form of interim receipts or temporary certificates.

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Blyth, Witter & Co. **Cyrus Peirce & Co.** **The Cleveland Trust Company**

Anglo London Paris Company, San Francisco **Manufacturers Trust Company**, New York

The statements contained in this advertisement are not guaranteed, but are based upon information which we believe to be accurate and reliable.

11-G. A.

Ask your Steno—

ONE hundred thousand booklets explaining the "what" and the "why" of War Department surplus are ready for free distribution.

The War Department wants you to know there are a host of bargains to be offered the public in the coming months; and it wants to be sure you know how to get your full share of the benefits for buyers in all War Department sales.

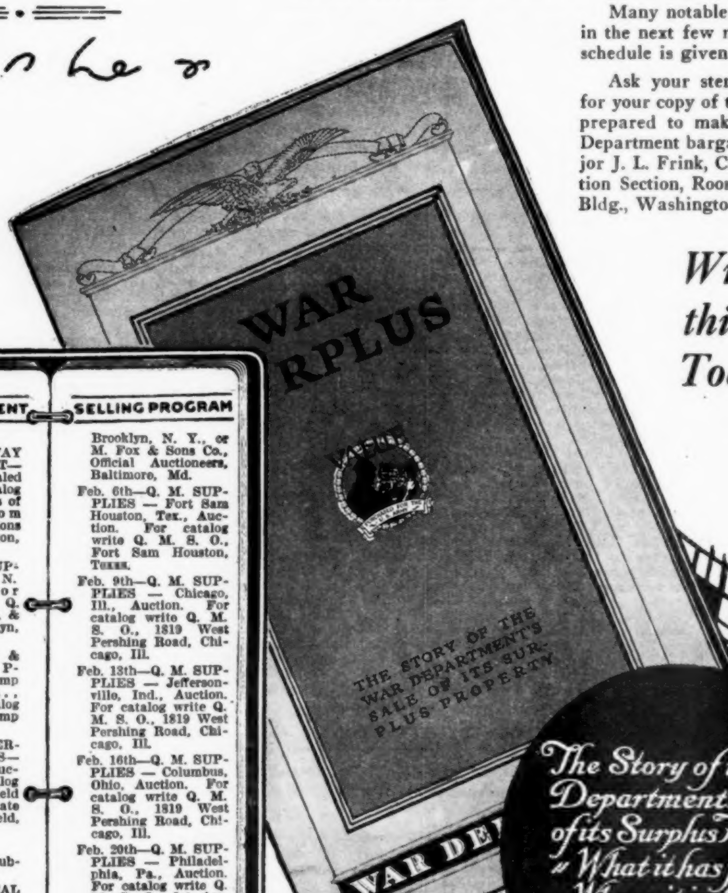
The booklet illustrated on this page will be a decided help.

It explains just how sales are conducted—how simple a matter it is to buy from the War Department; and it gives a clear idea of the wide range of commodities remaining to be sold.

Many notable sales will be held in the next few months. A partial schedule is given herewith.

Ask your stenographer to send for your copy of the booklet, and be prepared to make capital of War Department bargains. Address Major J. L. Frink, Chief, Sales Promotion Section, Room 2515, Munitions Bldg., Washington, D. C.

Write for this booklet Today!



WAR DEPARTMENT SELLING PROGRAM

JANUARY

Jan. 16th—RAILWAY EQUIPMENT—Wash., D. C., Sealed Bid. For catalog write Chief, Corps of Engineers, Room 2830, Munitions Bldg., Washington, D. C.

Jan. 16th—Q. M. SUPPLIES, Brooklyn, N. Y., Auction. For catalog write Q. M. S. O., 1st Ave. & 59th St., Brooklyn, N. Y.

Jan. 19th—Q. M. & ENGINEER SUPPLIES* — Camp Humphries, Va., Auction. For catalog write C. O., Camp Humphries, Va.

Jan. 24th—AIR SERVICE SUPPLIES—Fairfield, Ohio, Auction. For catalog write C. O., Fairfield Air Intermediate Depot, Fairfield, Ohio.

FEBRUARY

(These sales dates subject to change.)

Feb. 1st — MEDICAL & HOSPITAL SUPPLIES — Brooklyn, N. Y., Auction. For catalog write Medical Supply Officer, 1st Ave. & 59th St., Brooklyn, N. Y., or M. Fox & Sons Co., Official Auctioneers, Baltimore, Md.

Feb. 6th—Q. M. SUPPLIES — Fort Sam Houston, Tex., Auction. For catalog write Q. M. S. O., Fort Sam Houston, Texas.

Feb. 9th—Q. M. SUPPLIES — Chicago, Ill., Auction. For catalog write Q. M. S. O., 1819 West Pershing Road, Chicago, Ill.

Feb. 13th—Q. M. SUPPLIES — Jeffersonville, Ind., Auction. For catalog write Q. M. S. O., 1819 West Pershing Road, Chicago, Ill.

Feb. 16th—Q. M. SUPPLIES — Columbus, Ohio, Auction. For catalog write Q. M. S. O., 1819 West Pershing Road, Chicago, Ill.

Feb. 20th—Q. M. SUPPLIES — Philadelphia, Pa., Auction. For catalog write Q. M. S. O., 1st Ave. & 59th St., Brooklyn, N. Y.

The Government reserves the right to reject any or all bids.

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The Story of the War Department's Sales of its Surplus Property
" What it has for Sale
" Where it is Located
" How to Buy it. " "

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